S. Hrg. 99-402 Pt. 1

DEPARTMENTS OF COMMERCE, JUSTICE, STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1986

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

NINETY-NINTH CONGRESS

FIRST SESSION

ON

H.R. 2965

AN ACT MAKING APPROPRIATIONS FOR THE DEPARTMENTS OF COMMERCE, JUSTICE, STATE, THE JUDICIARY, AND RELATED AGENCIES FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1986, AND FOR OTHER PURPOSES

(PART 1—Pages 1-1124)

Arms Control and Disarmament Agency
Board for International Broadcasting
Department of Commerce
Department of State
Federal Communications Commission
Federal Trade Commission
International Trade Commission
Marine Mammal Commission
National Oceanic and Atmospheric Administration
Nondepartmental Witnesses
Small Business Administration
U.S. Information Agency
U.S. Trade Representative

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DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1986

WEDNESDAY, MARCH 6, 1985

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:32 a.m. in room S–146, the Capitol, Hon. Warren Rudman presiding.

Present. Senators Rudman and Bumpers.

NONDEPARTMENTAL WITNESSES

OPENING STATEMENT OF SENATOR RUDMAN

Senator RUDMAN. The subcommittee is in order. On behalf of our chairman, Senator Laxalt, all the members of the various departments over which we have jurisdiction, and all the public witnesses, we want to welcome you to the first hearing of many that this subcommittee will have on the fiscal year 1986 budget request.

BUDGET REQUEST

The total request before the committee under our jurisdiction is $11,470,550,000. This amount is $189 million below totals for those same agencies already enacted for the current year and about $600 million below the fiscal year 1985 budget, including supplementals.

Obviously, to achieve savings of that magnitude, the committee will need to make very difficult decisions. However, given the size of the deficit, no other alternative is possible. Every expenditure before this committee will be scrutinized. There will be no sacred programs in this year's bill.

[CLERK'S NOTE: Senator Bumpers requested that the following statement be included for the record.]

STATEMENT OF SENATOR BUMPERS

Mr. Chairman, as you have indicated, the administration has proposed severe reductions to major programs funded by the subcommittee. In my opinion, these reductions are unnecessary to achieve our common goal of reducing the deficit. We don't need to eliminate local services for the poor, juvenile justice and deliquency prevention, EDA and SBA, and trade adjustment assistance to reduce the deficit. Nor do we have to drastically reduce NOAA's vital programs such as the Agricultural Weather Service. Instead, we need to freeze the budget.

INTRODUCTION OF PUBLIC WITNESSES

Senator **Rudman**. We welcome the input from the public. Public witnesses often raise issues that would otherwise lay dormant. They help us focus on areas of concern that we can subsequently discuss with administration witnesses. We appreciate all the time and effort that goes into your presentations today.

We have a large number of witnesses today and, unfortunately, a limited amount of time. The Senate has been called into a joint session with the House at 11 o'clock this morning to hear the Italian Prime Minister. Therefore, we just ask each witness to limit his or her testimony to 3 minutes. I agree that is not terribly generous. Am I limited to 3 minutes also? [Laughter.]

The committee has a system here which I hope you will observe. Speakers have been arranged in panels. If you don't have your panel assignment, please notify our staff, and we will attempt to arrange it for you.

I will move out of order this morning to panel V on cultural exchange programs. We welcome Father Bradley, Father George, and Kate—if I pronounce it right—Katzki. Father George.

Panel V—Cultural Exchange Programs

Georgetown University

STATEMENT OF FATHER WILLIAM L. GEORGE, S.J. AND HAROLD BRADLEY, S.J., GEORGETOWN UNIVERSITY

PREPARED STATEMENT

Father **George**. Mr. Chairman, Mr. Rudman, Members, I am Father William George, assistant to the President of Georgetown. With me is Father Bradley. I would like to submit written testimony for the record in support of juvenile justice and international student exchange programs and present a proposal to assist the Justice Department.

[The statement follows:]

JOINT PREPARED STATEMENT

WILLIAM L. GEORGE, S.J. AND HAROLD BRADLEY, S.J.

GEORGETOWN UNIVERSITY

I am Father William L. George, S.J., Special Assistant to the President of Georgetown University and I thank you and the members of this Committee for the opportunity to testify.

Please permit me to briefly address three topics: Juvenile Justice, International Student Exchange Program and an appropriation in FY'86 of $10 million for a library facility needed to alleviate problems within the Justice Department System.

I would like to support the recommendations for the Juvenile Justice Program and I wish to submit a brief testimony for the record. I would ask the Committee in its report to encourage the Department of State to continue the International Student Exchange Program which has the unique network of universities through which students are exchanged throughout the entire world. This network is presently being used as a model for some of the Kissinger Exchange Programs. I would like to submit the testimony for the record on ISEP.

Last year I spoke to the Committee concerning a "Legal Information and Research Center for the Nation's Capital" located at Georgetown University Law Center. Since that time, we've been in conversations with some of the librarians and staff at the Department of Justice exchanging information and visiting each other's libraries. We believe that Georgetown University can be a major assistance to some of the needs of the Department of Justice Library system. Presently the Department of Justice Library has volumes stored in off-site facilities as well as attics and hallways. If the Department of Justice participated in the library construction project at Georgetown University Law Center, we believe they could alleviate their stack problem as well as make significant economies in operating costs.

Georgetown University plans to build a $45 million dollar facility which we intend to have operational in April 1988. If the Department of Justice were to build space for 250,000 volumes in order to house their overflow, it would cost approximately $19.4 million at current estimates. Georgetown University Law Center would propose to assist the Department of Justice in alleviating their over-crowding and access problem with books and help them hone their library to a more focused level in a two-year project. These volumes would be maintained by the Georgetown University Library, without charge to the Department of Justice.

We would ask the Committee to consider this proposal which would alleviate the library access problems for the Justice Department and serve as a model for other government agencies in reducing library costs, through cooperation with private sector institutions.

On behalf of our President, Rev. Timothy S. Healy, S.J., thank you for the opportunity to testify before this Committee.

PREPARED STATEMENT OF FATHER T. BYRON COLLINS

The Honorable Paul Laxalt
Chairman, Subcommittee on Commerce,
Justice, State and Judiciary
Committee on Appropriations
United States Senate
S-146-A, Capitol Building
Washington, D.C. 20510

March 4, 1985

Dear Senator Laxalt:

I am Father T. Byron Collins, S.J., Special Assistant to President Healy of Georgetown. I write you on behalf of the coordinated, national law-related education program. You and the Subcommittee have been most helpful in continuing appropriations to this worthwhile delinquency prevention effort during your Chairmanship. You included express language in the Senate Committee report for fiscal year 1984 providing "$1,400,000 to continue the coordinated, national law-related education program." Again, in fiscal year 1985, notwithstanding the lack of a budget request from the Administration, the "Committee recommendation [provided] $77,000,000 for the Office of Juvenile Justice and Delinquency Prevention" and the Congress eventually appropriated over $74,000,000 for federal juvenile justice programs, thereby ensuring the continuation of successful programs such as the coordinated, national law-related education program.

As you know, enactment of the President's Comprehensive Crime Control Act of 1984 on October 12, 1984, included renewed authority to develop and implement further this important program. Indeed, the Juvenile Justice, Runaway Youth and Missing Children's Act Amendments of 1984 expressly include the coordinated, national law-related education program of delinquency prevention as a top priority special emphasis prevention and treatment program. 42 U.S.C. § 5634(a)(6). In addition, express authority is now available for States to utilize their juvenile justice formula grants for law-related education programs and projects designed to prevent juvenile delinquency. 42 U.S.C. § 5633(a)(10)(L).

With projects now possible throughout the country, it is most important that this delinquency prevention strategy be effectively coordinated, as it has been most successfully in Nevada. Evaluations have shown that law-related education can reduce juvenile delinquency when properly implemented. Ensuring proper implementation as these programs are replicated across the country is most important and best accomplished by those whose vast experience has been demonstrated by the development of effective curriculum materials and implementation of successful projects.

With the growth of the coordinated national program the funding level of $1.4 million from past years must be increased. In the past year the program has been able to support intensive efforts in 11 States and technical assistance efforts for the rest of the Nation. This year 16 States will share in the intensive, coordinated, national law-related education program. In order to serve the 25 States to which the intensive program should expand in fiscal year 1986 and provide effective coordination for the rest of the Country, a minimum of $2.5 million will be essential. To include all jurisdictions that could benefit from this intensive effort would require $4.5 million.

Last year an estimated 225,000 youngsters directly benefitted from law-related education training. Over 3,000 teachers in 120 school districts were trained, over 400 educational leaders attended leadership training workshops and over 2,000 State and local leaders participated in public and private sector partnership conferences. This year the participation could expand by as much as 50 percent in each of these activities. By fiscal year 1986, additional growth could result in close to 1 million juveniles participating in law-related education activities. Each federal dollar is leveraged by twice as much in private sector contributions so that currently approximately $3 million are being generated at the State and local levels. As States learn to utilize their formula grant funds under the new authorizing legislation, each dollar of special emphasis delinquency prevention funding for coordination and to ensure effective implementation will further increase in value.

Funding the coordinated, national law-related education program, coordinated by those with the expertise necessary to ensure proper implementation, is investing in a law-abiding society and provides training for responsible members of society for our future. I urge your continued support and look forward to working with you and your staff in this year's appropriation process.

Sincerely yours,

T Byron Collins S.J.

T. Byron Collins, S.J.

INTERNATIONAL STUDENT EXCHANGE PROGRAM

The International Student Exchange Program (ISEP), which was established in 1979, is a fully-reciprocal, university-level exchange plan funded primarily by a grant from the United States Information Agency, under authority of the Fulbright-Hays Act of 1961.

Based at Georgetown University in Washington, D.C., ISEP provides an administrative and financial structure to facilitate the regular exchange of students and scholars on a one-to-one basis between participating institutions in the United States and institutions around the world. ISEP has grown from an initial ten member institutions to a network of more than 130 institutions in over 25 countries and 35 states of the United States.

The ISEP program is designed so that students pay all of their fees, including tuition, room and board, to their home institution and take up a place at an ISEP host institution, with no money changing hands. Exchanges can occur at any tertiary academic level and in any discipline and can range in length from one semester to two years. While the total number of incoming and outgoing students at each institution must balance, ISEP exchanges are usually multilateral in nature: each ISEP institution may enroll candidates from member universities abroad at which its own nominees may or may not choose to study. This flexibility is one of the strengths of the ISEP program.

In the first 6 years of the program, a total of 1435 participants were exchanged between the United States and other countries. A total of $2,179,385 in Fulbright grant funds was received from USIA for the 6 years ending September 30, 1984. Per participant administrative costs to the government equalled $964 in FY 84. All program costs are borne by the individual participants, their home and host universities and other governments.

Although the FY 85 grant from USIA is not yet determined, a base minimum of 475 exchanges is estimated for the current year at an annualized cost to the U.S. government of less than $905 per participant.

The ISEP network is the largest of its kind, distinguished by direct enrollment in host universities and by its emphasis on exchanges with non-traditional, i.e., non-Western European, country partners. During FY 84 close to 15% of ISEP's U.S. participants studied in Africa, Asia and Latin America, compared to the national average estimated at 5%. Through ISEP, the pre-eminent universities in developing countries are training prospective and junior faculty members in U.S. graduate programs, primarily at our great state universities.

Membership

August 27, 1984

AUSTRALIA	Darling Downs Institute of Advanced Education Deakin University The Flinders University of South Australia Macquarie University *University of Wollongong
BELGIUM	Katholieke Universiteit te Leuven Université Catholique de Louvain
BRAZIL	Pontifícia Universidade Católica do Rio de Janeiro Pontifícia Universidade Católica de Minas Gerais
CANADA	University of Alberta Brock University University of Calgary Laurentian University University of New Brunswick University of Prince Edward Island University of Regina
COLOMBIA	Universidad de los Andes Universidad EAFIT Instituto Colombiano de Estudios Superiores de INCOLDA (ICESI) Pontificia Universidad Javeriana Universidad del Norte
COSTA RICA	Universidad Nacional de Heredia
FINLAND	University of Helsinki University of Tampere
FRANCE	Université de Droit, d'Economie et des Sciences d'Aix-Marseille Université d'Angers Université de Caen Université de Franche-Comté Université des Sciences Sociales (Grenoble II) Université des Langues et Lettres (Grenoble III) Ecole Nationale Supérieure de Chimie de Lille
FRANCE (cont'd)	Université de Lille III Institut National des Sciences Appliquées de Lyon Université de Nice Université de Saint-Etienne Université de Savoie
GERMANY	Katholische Universität Eichstätt Justus-Liebig-Universität Gießen Philipps-Universität Marburg Universität Trier
HONG KONG	Chinese University of Hong Kong
ITALY	Administered through the Rui Foundation: Università degli Studi di Firenze Università degli Studi di Pavia Università degli Studi di Urbino
IVORY COAST	Université Nationale de Côte d'Ivoire
KENYA	Kenyatta University College
KOREA	Yonsei University
MALTA	University of Malta
MEXICO	Instituto Tecnológico y de Estudios Superiores de Occidente (ITESO)
NIGERIA	University of Ibadan
SWITZERLAND	Université de Lausanne
TANZANIA	University of Dar es Salaam
THAILAND	Thammasat University
TOGO	Université du Bénin
TUNISIA	*University of Tunis
UNITED KINGDOM	University of Glasgow Plymouth Polytechnic University of Sheffield South Glamorgan Institute of Higher Education University of Strathclyde Ulster Polytechnic/University of Ulster

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* Institution is participating to redress exchange imbalance.

UNITED STATES

Alabama	University of Alabama in Birmingham
Arkansas	Arkansas State University Hendrix College
California	University of California-Irvine, Riverside, Santa Barbara University of the Pacific Pitzer College
Colorado	University of Colorado-Denver University of Denver
Connecticut	Central Connecticut State University Fairfield University Western Connecticut State University
District of Columbia	*Catholic University of America Georgetown University Howard University
Idaho	University of Idaho
Illinois	Southern Illinois University-Carbondale
Indiana	Ball State University
Iowa	University of Iowa
Kansas	Fort Hays State University University of Kansas
Kentucky	Murray State University
Louisiana	Louisiana State University Northwestern State University of Louisiana University of Southwestern Louisiana
Maryland	Frostburg State College
Massachusetts	Boston University *Brandeis University Mount Holyoke College University of Massachusetts-Amherst
Michigan	Siena Heights College
Minnesota	University of Minnesota
Mississippi	University of Mississippi
Missouri	Southeast Missouri State University
Montana	Montana State University
Nebraska	Kearney State College University of Nebraska-Lincoln
New Jersey	Saint Peter's College
New York	Adelphi University State University College, Buffalo Saint Lawrence University Siena College
North Carolina	East Carolina University North Carolina State University-Raleigh University of North Carolina-Charlotte
Ohio	Miami University *Wittenberg University
Oregon	*Southern Oregon State College Reed College
Pennsylvania	Bryn Mawr College Dickinson College Indiana University of Pennsylvania Lebanon Valley College Muhlenberg College University of Scranton Susquehanna University
South Carolina	College of Charleston Clemson University Coastal Carolina College-USC
Tennessee	Shelby State Community College University of Tennessee-Knoxville Tennessee State University
Utah	University of Utah Utah State University
Vermont	Castleton State College University of Vermont
Virginia	George Mason University Old Dominion University Virginia Commonwealth University Virginia Polytechnic Institute and State University
Washington	Western Washington University
Wisconsin	University of Wisconsin-LaCrosse
Wyoming	University of Wyoming

August 27, 1984

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* Institution is participating to redress exchange imbalance.

STUDENT EXCHANGE ACTIVITY AT ISEP INSTITUTIONS
1/1/79 - 9/30/84

Fiscal Year	N	P	PC	PCA/OS	W/U
FY 79[a]					
U.S. Institutions	14	14	14	14	0
Institutions Outside the U.S.	14	14	14	14	0
Total Students for FY 79	28	28	28	28	0

FY 80 [b]					
U.S. Institutions	71	54	54	53	18
Institutions Outside the U.S.	54	51	51	48	6
Total Students for FY 80	125	105	105	101	24
FY 81 [c]					
U.S. Institutions	183	109	109	108	75
Institutions Outside the U.S.	146	120	108	108	38
Total Students for FY 81	329	229	217	216	113
FY 82 [d]					
U.S. Institutions	267	186	164	134	133
Institutions Outside the U.S.	205	173	161	145	60
Total Students for FY 82	472	359	325	279	193
FY 83 [e]					
U.S. Institutions	232	194	180	154	59
Institutions Outside the U.S.	324	269	255	231	74
Total Students for FY 83	556	463	435	385	133
FY 84 [f]					
U.S. Institutions	299	245	228	207	85
Institutions Outside the U.S.	321	265	248	219	80
Total Students for FY 84	620	510	476	426	165

N - nominations; number of students institution nominated for exchanges
P - placed; number of students ISEP placed of those nominated by institution
PC - placed and confirmed; placement made by ISEP and confirmed by host institution
PCA/OS - placed, confirmed, and accepted/outgoing students; placements made by ISEP, confirmed by host institution, and accepted by students
W/U - withdrew or unplaced; students withdrew at some point during the placement process or ISEP was unable to place students
a - 01/1/79 - 09/30/79
b - 10/1/79 - 09/30/80
c - 10/1/80 - 09/30/81
d - 10/1/81 - 09/30/82
e - 10/1/82 - 09/30/83
f - 10/1/83 - 09/30/84

FY 84
STUDENT EXCHANGE ACTIVITY AT U.S. ISEP INSTITUTIONS
10/1/83 - 9/30/84*

Institution	N	P	PC	PCA/OS	W/U
Adelphi University	1	0	0	0	1
University of Alabama at Birmingham	2	1	1	1	0
Ball State University	4	3	3	3	1
Boston University	4	3	3	3	0
*Brandeis University	0	0	0	0	0
Bryn Mawr College	1	1	1	1	0

State University College, Buffalo	2	2	2	2	1
Univ of California	1	0	0	0	0
*Catholic University of America	1	0	0	0	0
Central Connecticut State University	3	3	3	3	0
College of Charleston	15	13	11	11	3
Clemson University	3	4	4	3	1
University of Colorado at Denver	0	0	0	0	0
Coastal Carolina College-USC	1	1	1	0	1
Dickinson College	2	1	1	1	0
Fairfield University	0	0	0	0	0
Fort Hays State College	2	2	2	2	0
Frostburg State College	2	2	2	2	0
George Mason University	0	0	0	0	0
Georgetown University	14	9	6	5	7
*Gonzaga University	1	1	1	1	1
Hendrix College	3	2	2	2	2
Howard University	4	3	3	3	0
University of Idaho	7	7	6	5	3
Indiana University of Pennsylvania	9	5	5	5	4
University of Iowa	10	7	6	5	4
University of Kansas	24	23	23	23	1
Kearney State College	5	4	3	0	3

FY 84
STUDENT EXCHANGE ACTIVITY AT U.S. ISEP INSTITUTIONS
10/1/83 - 9/30/84

Institution	N	P	PC	PCA/OS	W/U
Lebanon Valley College	0	0	0	0	0
Louisiana State Univ	7	6	5	4	2
Univ of Massachusetts, Amherst	3	3	3	3	0
Miami University (Ohio)	0	0	0	0	0
University of Minnesota, Twin Cities	11	11	10	10	3
University of Mississippi	11	11	11	11	0
Montana State University	13	10	10	10	4
Mount Holyoke College	1	1	1	1	0
Muhlenberg College	3	2	2	1	2

Murray State University	5	4	4	3	2
University of Nebraska, Lincoln	6	5	5	3	3
North Carolina State Univ, Raleigh	9	6	6	5	3
University of North Carolina, Charlotte	0	0	0	0	0
Northwestern State University of Louisiana	2	2	1	1	1
Old Dominion Univ	2	2	2	2	0
Pitzer College	1	1	1	0	2
Reed College	5	4	4	4	1
Saint Peter's College	3	2	2	2	1
University of Scranton	1	1	1	0	1
Shelby State Comm Coll	0	0	0	1	0
Siena College	0	0	0	0	0
Siena Heights College	0	0	0	0	0
Southern Illinois Univ at Carbondale	9	7	7	6	2
*Southern Oregon State Coll	0	0	0	0	0
University of Southwestern Louisiana	2	0	0	0	1
Susquehanna University	0	0	0	0	0
University of Tennessee, Knoxville	11	11	9	11	3
Tennessee State University	0	0	0	0	0
University of Utah	20	14	13	11	6
Utah State University	9	8	8	6	4
University of Vermont	5	5	4	2	3
Virginia Commonwealth Univ	7	7	7	7	1
Virginia Polytechnic Institute and State University	6	5	4	4	1
Western Washington University	13	10	9	7	4
University of Wisconsin, LaCrosse	11	8	8	9	2
*Wittenberg University	0	0	0	0	0
University of Wyoming	2	2	2	2	0
TOTAL PAGES 1 - 3	**299**	**245**	**228**	**207**	**85**

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* - These statistics reflect only the action taken on a student's file between 10/1/84 and 9/30/84. Action taken outside of this period will be reflected in the preceding or following fiscal year's exchange activity report.

N - nominations; number of students institution nominated for exchanges

P - placed; number of students ISEP placed at institutions outside the U.S. of those nominated by institution

PC - placed and confirmed; placement made by ISEP and confirmed by host institution

PCA/OS - placed, confirmed, and accepted/outgoing students; placements made by ISEP, confirmed by host institution, and accepted by students

W/U - withdrew or unplaced; student withdrew at some point during the placement process or ISEP was unable to place student

FY 84
STUDENT EXCHANGE ACTIVITY AT ISEP INSTITUTIONS OUTSIDE OF THE U.S.
10/1/83 - 9/30/84*

Institution	N	P	PC	PCA/OS	W/U
AUSTRALIA					
Deakin University	2	2	2	2	0
Flinders University of South Australia	0	0	0	1	0
Macquarie University	0	0	0	0	0
*University of Wollongong	1	0	0	0	0
BELGIUM					
Katholieke Universiteit te Leuven	11	10	9	8	3
Universite Catholique de Louvain	7	6	6	4	5
BRAZIL					
Pontificia Universidade Catolica do Rio de Janeiro	13	11	10	7	7
Universidad Catolica de Minas Gerais	5	5	5	4	1
CANADA					
University of Alberta	6	5	5	2	4
Brock University	1	1	1	0	1
University of Calgary	4	3	3	1	2
Laurentian University	3	2	2	2	2
Univ of New Brunswick	0	0	0	0	0
Univ of Prince Edward Island	3	3	3	3	0
Univ of Regina	4	2	2	1	1
COLOMBIA					
Universidad de los Andes	3	2	1	1	1
Universidad EAFIT	0	0	0	0	0
Pontificia Universidade Javeriana	1	1	1	0	0
Universidad del Norte	4	3	4	4	1
COSTA RICA					
Universidad Nacional de Heredia	10	6	5	5	3
FINLAND					
University of Tampere	10	7	7	6	4
FRANCE					
Universite de Droit, d'Economie et des Sciences d'Aix- Marseille	8	9	9	9	0
Universite d'Angers	8	8	8	8	0
Universite de Caen	5	4	4	4	0
Universite de Franche-Comte	10	10	9	10	1

Universite des Sciences Sociales (Grenoble II)	20	20	20	17	4
Universite des Langues et Lettres (Grenoble III)	31	31	30	30	2
Universite de Lille III	16	8	8	5	4
Institut National des Sciences Appliquees de Lyon	0	0	0	0	0
Universite de Nice	12	11	9	9	3
Universite de Savoie	7	7	7	6	1
GERMANY					
Justus-Liebig-Universitat Giessen	12	9	6	6	6
Philipps-Universitat Marburg	9	9	8	7	2
Universitat Trier	10	9	9	8	2
HONG KONG					
Chinese University of Hong Kong	4	4	4	4	0
ITALY					
~~Fondazione Rui~~	10	10	10	10	0
Fulbright Commission	0	0	0	1	0
IVORY COAST					
Universite Nationale de Cote d'Ivoire	3	3	2	0	0
KENYA					
Kenyatta University College	3	2	2	1	1
MALTA					
University of Malta	10	3	3	3	0
MEXICO					
Instituto Tecnologico y de Estudios Superiores de Occidente (ITESO)	5	5	4	3	2
NIGERIA					
University of Ibadan	9	0	0	1	2
TANZANIA					
University of Dar es Salaam	7	5	3	3	2
THAILAND					
Thammasat University	1	1	2	1	1
TOGO					
Universite du Benin	0	0	0	0	0
TUNISIA					
*Universite de Tunis	0	0	0	0	0
UNITED KINGDOM					
University of Glasgow	4	4	3	3	1
Plymouth Polytechnic	20	15	14	13	7
South Glamorgan Institute of Higher Education	0	0	0	1	0
Ulster Polytechnic	3	3	3	3	0

University of Sheffield	**0**	**0**	**0**	**0**	**0**
University of Strathclyde	**6**	**6**	**5**	**2**	**4**
TOTAL PAGES 1 - 3	**321**	**265**	**248**	**219**	**80**

*** - These statistics reflect only the action taken on a student's file between 10/1/84 and 9/30/84. Action taken outside of this period will be reflected in the preceding or following fiscal year's exchange activity report.**
N - nominations; number of students institution nominated for exchanges
P - placed; number of students ISEP placed at institutions in the U.S. of those nominated by institution
PC - placed and confirmed; placement made by ISEP and confirmed by host institution
PCA/OS - placed, confirmed, and accepted/outgoing students; placements made by ISEP, confirmed by host institution, and accepted by students
W/U - withdrew or unplaced; students withdrew at some point during the placement process or ISEP was unable to place students

LIBRARY CONVERSIONS

Father George. Our librarian has met a number of times with the librarian and various staff at the Justice Department, and they have a serious space problem with their library. We believe Georgetown University, because of its location and size, can be of major assistance to some of the needs of the Department in their library system.

We have asked the committee to consider a request that would alleviate the library shortage and access problems of the Justice Department library and possibly serve as a model to other government agencies in reducing library costs in cooperation with private institutions.

That summarizes it rather quickly.

Senator Rudman. What are the amounts involved in this?

Father George. We estimate that in our conversations. that they have between maybe 100 to 200, 250,000 books that they have stored in hallways and attics and in offices types of facilities and are looking for space. They have been looking, and it is very difficult to find space.

I presume one of the reasons they have them stored in hallways is when you don't have actually library-built space, you have to put in structural beams. We have had that problem in some old Jesuit communities, too.

Senator Rudman. Is there some sort of price tag as to what this will cost?

Father George. The project cost for library space is about $230 a square foot. Just construction costs will come out to about $125 a square foot. If you took a quarter of a million books, it would take about 80,000 square feet, which at a project cost is $20 million.

Senator Rudman. Do others here wish to be heard?

COUNCIL OF INTERNATIONAL PROGRAMS

STATEMENT OF KATE KATZKI, PRESIDENT, COUNCIL OF INTERNATIONAL PROGRAMS

Ms. KATZKI. Thank you. I thank the subcommittee for its continued support of the cultural education exchange programs. We meet policy objectives of the United States by bringing people from different countries and cultures to this country to have contact with Americans, thus, increasing their mutual understanding. Congress has recognized the value of these programs and I come before you today as a volunteer who serves as president of one of these vital programs, the Council of International Programs, known as CIP.

For the past 30 years, we have had over 5,000 participants from more than 110 countries. Ours is a unique program. We are dealing with persons involved in human service. Our program is recognized by many foreign governments as an outstanding professional educational and cultural learning experience.

We started in 1956 by an initiative of the State Department and continued for 22 years with its Cultural Division. Since 1978, we have been in USIA. Since 1981, our funding has come from the Private Sector Division. Our operating funds were reduced by 25 percent in 1982. As a result of these funding decreases of CIP and some other coexchange programs, Congress passed the Pell Amendment in 1982 with the intent to double by 1986 funding for all U.S. Government-sponsored exchange programs, including those in the private sector.

Since 1982, Congress has, indeed, appropriated additional moneys for several exchange programs. However, no increases have been afforded for some core programs funded by the private sector initiative. For instance, CIP funding has remained constant at $350,000 since fiscal year 1982.

As an American who believes in the value of exchange of cultural programs, I am before this committee to request that Congress fulfill its commitment to the core exchange programs funded by the Private Sector Division of USIA for fiscal year 1986. I understand the President's budget for fiscal year 1986 calls for an increase of only $1.9 million. This would not fulfill the requirements.

Without a specific directive by Congress that any increases should be used for exchange programs, there is no guarantee there will be allotment to the core programs.

Thus, I request Congress to identify by name the coexchange programs which should receive increases, including the Council of International Programs and also to direct USIA to fulfill specifications to these coexchange programs during fiscal year 1986.

I thank you for your time.

Senator RUDMAN. Father Bradley?

Father BRADLEY. Father George submitted my testimony for the record.

Senator RUDMAN. We are going to put all the testimony in the record, so it will appear in the record.

Panel II—National Oceanic and Atmospheric Administration Programs

NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND-GRANT COLLEGES

STATEMENT OF WILLIAM WICK, PROFESSOR, OREGON STATE UNIVERSITY, NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND-GRANT COLLEGES

SEA GRANT PROGRAMS

Senator RUDMAN. Our second panel this morning will give us testimony on the programs of the National Oceanic and Atmospheric Administration. We welcome William Wick of Oregon State University, Kathryn Tollerton, Richard Delaney, and John Quadros.

Mr. Wick?

Mr. WICK. Thank you, Senator Rudman. Good morning. I am Bill Wick, director of the Sea Grant College Program at Oregon State University. I appreciate the opportunity to testify on behalf of the National Association of State Universities and Land-Grant Colleges and the Sea Grant Association. I would like to thank you and your committee for your strong support for the Sea Grant Program. In particular, this 3-year authorization passed by Congress last year.

PREPARED STATEMENT

I have submitted extensive written testimony, and it includes an overview of the NOAA budget and discussion of the implications.

Senator RUDMAN. Your entire statement will be in the record.

[The statement follows:]

PREPARED STATEMENT OF WILLIAM O. WICK

DIRECTOR

SEA GRANT COLLEGE PROGRAM—OREGON STATE UNIVERSITY

Thank you and good morning. I am Bill Wick, Director of the Sea Grant College Program at Oregon State University.

I appreciate the opportunity to testify on the National Oceanic and Atmospheric Administration (NOAA) budget request before this Subcommittee on behalf of the Marine Division of the National Association of State Universities and Land-Grant Colleges (NASULGC) and the Sea Grant Association. The nation's civilian marine agenda for the rest of this decade will be tremendously affected by the decisions on this budget.

The Marine Division of NASULGC is composed of over 50 major marine research and education institutions in the United States which are committed to the conservation, development and understanding of the ocean and coastal environments. It represents the core of our nation's civilian oceanography capacity, with its institutions accounting for over 90% of the university marine research. The Sea Grant Association consists of 35 colleges, universities, research centers, industries and consortia, all dedicated to enhancing the nation's capability to develop, use and manage our marine resources. Over the past five years the Sea Grant programs have supported education, research and public service activities at more than 250 educational institutions in 39 states, plus Guam, Puerto Rico and the District of Columbia. Most members of the Marine Division and the Sea Grant Association are also members of NASULGC, which is composed of 144 colleges and universities with a total enrollment of approximately 2.8 million students. NASULGC institutions collectively represent this country's greatest contribution to higher education, the public research, education and public service university.

I would like to thank you and the other members of the committee for your strong support of the National Sea Grant College Program. In particular, this is our first opportunity to publicly thank you for the three-year Sea Grant reauthorization which was passed by the last Congress. Your continuing strong support of this program is deeply appreciated.

I wish to address the following items this morning:

I) An overview of the NOAA budget, and particularly of some of its policy implications;

II) A discussion of the implications for NOAA as an ocean and marine resource agency;

III) Why Sea Grant is an essential program, with strong benefits to the nation;

IV) Why NOAA needs expanded relations with the Sea Grant programs and with universities generally.

I will close with a set of recommendations that the ocean and marine resource mission of NOAA be reaffirmed; that NOAA's partnership relations with non-federal institutions and groups be reemphasized; that the proposed FY 85 rescission of Sea Grant funds be rejected; that the Sea Grant program be funded for FY 86 at the authorization level of $42 million, plus new initiatives such as marine biotechnology that address emerging national needs and opportunities; and that relations between NOAA and the universities be strengthened in order to allow the agency to address certain of its critical priorities more fully.

It is difficult for an outsider to fully comprehend the NOAA budget. Despite some very considerable improvements of format in recent years, it remains a very complex budget. In addition, the budget contains a number of major assumptions with respect to offsets, pay decreases and user fees, and it also contains some fiscal year switches in which proposed FY 85 rescissions have been built into the revised FY 86 "base." There are also some FY 85 supplemental requests to be considered, plus a forthcoming LANDSAT request.

We have been working from a document entitled, "FY 1986 Budget Summary, National Oceanic and Atmospheric Administration, U.S. Department of Commerce." All of my references are drawn from that document. The appropriation request for Operations, Research and Facilities (ORF) is $826 million, down $287 million from the FY 85 appropriation. The actual program level for FY 86 is $932 million. The difference between $932 million and $826 million is proposed to be offset by Coastal Energy Impact Program funds ($8 million), Saltonstall-Kennedy funds ($40 million), and the Fisheries Loan Fund, a trust fund proposed for termination, with $58 million used to offset the NOAA budget and another $58 million transferred to offset another agency's budget. This $106 million total offset within NOAA compares to a $36 million item approved in the FY 85 appropriation for the same funds. In addition, the FY 86 program level assumes that $112 million in FY 85 proposed rescissions will be approved, and that A-76 savings, a reduction of professionals and managers, and a five percent pay cut will save a further $30 million. The budget further assumes over 90 specific program cuts totalling $183 million. Against this, program increases of $94 million are proposed. Most of these increases are for satellite expenditures that are logical commitments from previous decisions. Thus we have what appears to be a total of roughly $320 million in proposed cuts, additional trust fund offsets of $70 million, and program increases of $94 million. Combining the cuts and offsets leads to a $395 million differential between the requested appropriation and the current base. "Science" magazine and the press have described the NOAA budget as proposed for a one-third cut, and that is probably as good an estimate of the real effect as any analysis can give.

My point is not to argue for a current services level budget, or to be for or against a long list of proposed increases and decreases. It is simply to point to the magnitude of the issues this proposed budget lays before the Congress. A one-third cut in any activity is extremely serious. It begins to raise serious questions about the continued viability of the operation, and certainly of major components.

The cut of 1500 full time equivalent (FTE) positions will cripple NOAA. Besides its considerable effect on agency morale, the reduction is likely to be even deeper than the 1500 positions. As you know, government personnel must be given substantial advance notice of termination. Since it will be some months before the actual budget is known, it would thus not be possible to begin realizing any savings until well into the fiscal year, probably half way through or even later. Thus to realize total dollar savings, much deeper actual cuts would have to be made than the number of FTEs listed.

Policy Implications

Apart from the overall magnitude and effect of the proposed cuts, what are the policy implications of the proposed budget? Any budget document is a policy document, and this one is very forthright in its direction. It clearly raises some questions that deserve the attention of this committee. I would like to note four of these items in the budget.

1) It severely cuts back NOAA as a marine and fishery resource agency;

II) It equally cuts back NOAA as an ocean and coastal agency;

III) It substantially cuts NOAA's position as a research agency;

IV) It drastically reduces NOAA's partnership activities with non-federal institutions and groups.

These cuts would leave NOAA as an atmospheric services, charting, and fishery regulation agency.

Let me develop these themes, with the understanding that they are overlapping in many respects, and with the further understanding that some of these items get into the jurisdiction of other committees. I should emphasize that in listing many of the examples below, I am not necessarily endorsing the efforts involved, but detailing a pattern. I strongly believe that every program that spends public funds should be accountable for the results of those expenditures. This is particularly so in a time of tight resources.

First, NOAA is cut back as a marine and fisheries resource agency. This is most apparent in fisheries, where the budget is proposed to go from $153 million in FY 85 to $84 million in FY 86, a 45% reduction. Cuts are heaviest in programs that interact with states and the fishing industry. Cutbacks in other parts of the fishery budget include habitat and endangered and protected species research, Chesapeake Bay resource assessments, and a whole range of hatchery and salmon study work that seems essential to implementation of the U.S./Canada salmon treaty, which is before the Senate for ratification. In addition, non-living marine resources are being cut back, specifically the Ocean Thermal Energy Program (OTEC) and the seafloor process/polymetallic sulfide program. Quite apart from the merits of the individual actions proposed, the sum of them all together raises two very legitimate policy questions: What is the marine resource policy of the nation and what is NOAA's appropriate role in implementing this policy?

NOAA's role as a lead civilian ocean agency would also be substantially impaired by this budget. In addition to the fishery cuts mentioned above, the Ocean and Coastal Programs' activity would be cut from $203 million to $92 million. Besides the aforementioned non-living resource items, Sea Grant is proposed for termination and other research items would be cut back. Coastal management would be terminated, except for a remnant federal presence. Perhaps NOAA has never realized the aspirations that the original proponents of a national ocean agency had in mind, but it has been a major source of focus for our national ocean efforts. It is again quite legitimate to review our national goals for the oceans and NOAA's role in achieving those goals, and the budget process is a good place to start.

Thirdly, NOAA's role as a research agency is significantly altered in the budget proposal. This is demonstrated most vividly in the Sea Grant and fisheries cuts noted above, and the largest cuts come in the ocean-related parts of NOAA. The NOAA Undersea Research Program is again slated for termination. The Tropical Oceans and Global Atmosphere Research Program (TOGA), a study of the climatic effects of the El Nino phenomenon, is slated for cutback, with the apparent result that the western Pacific study--and a set of agreements with China, Australia and France--would be in jeopardy. While atmospheric research fares better, there are substantial cuts in the Global Atmospheric Research Program, weather modification, and solar-terrestrial research, among others.

Reprogramming of funds would allow initiation of the important Fisheries-Oceanography Coordinated Investigations Program (FOCI), a cooperative effort among several NOAA units to study the oceanographic effects on fisheries stock variability. However, even this effort would seem to be affected by cutbacks in baseline fishery oceanography work and by deep cuts in logistical support for research; nor is it entirely clear what areas will be affected by the proposed reprogramming.

This morning there is neither time nor information available to examine the ship support question except in general terms. Decreases exceeding $12 million are proposed for ship support. Among other things, this will involve the fisheries research fleet and three other NOAA vessels. There will be some offsets through chartering and improved equipment. Apparently there continues to be fierce debate over the best means of ship support within NOAA, but clearly these reductions would severely reduce NOAA's capacity as an ocean agency. They will also reverberate across the entire civilian fleet.

NOAA is experiencing very deep cuts that are much greater than the rest of the federal research budget. Even in comparison with the rest of the civilian marine research budget which has done poorly over the past decade--I refer you to a very useful report recently published by an interagency panel chaired by Dr. Eric Schneider for details--NOAA has been doing badly and is being targeted to do even worse. This is puzzling, given the agency's mission. Something is awry.

Woven through these other items is an intent to nearly terminate NOAA's partnership relations with non-federal entities. Relations with universities, with states and with various fishery groups and industry are cut across the board. I should note that this is not a new phenomenon. Historically, every time the NOAA budget has been threatened, these same programs have been the first ones proposed for sacrifice. Some have cynically referred to this as the Washington Monument strategy: Proposing as high priority cuts precisely those items that Congress is most likely to restore. In the past, weather stations have often fulfilled this role for NOAA. It may be a useful budgetary ploy, but in times such as these it is a desperate ploy indeed. Even more serious, however, is the apparent mindset that is being reflected, that of an inward-looking organization, when what is needed is a cooperative, outward-looking operation, networking across NOAA, other agencies and the national talent pool.

Let me illustrate the situation briefly with respect to NOAA and the universities. American science is pluralistic, with contributions from universities, non-profit organizations, industry, and government laboratories. All are necessary for a healthy science base, and each has unique responsibilities. For the most part, however, the universities have become the main repository of scientific talent in this society. The most successful federal scientific agencies--the National Institutes of Health, NASA and the Department of Agriculture, for example--have relied heavily on the universities for their science base, using a variety of arrangements. The Departments of Defense and of Energy, despite their heavy classified developmental needs for in-house activities, have routinely provided substantial support to non-governmental scientists. The Defense research programs, such as the Office of Naval Research, in fact provided a model when the National Science Foundation was formed purely for the support of academic science. The point is not that universities ipso facto deserve support from the government. It is rather that they are a major source of scientific talent for our national well-being. They also have students, and it is graduate students through their dissertation research who are the major wellspring of scientific advance in this country.

NOAA has been slow to avail itself of this talent pool. The establishment in recent years of the joint NOAA/university centers in atmospheric, climate and satellite research has been an important step forward in this respect, with mutual benefit. However, Sea Grant remains the major NOAA/university interaction, and Sea Grant has never been clearly embraced by the agency. The budget materials we have do not break out research and development as separate categories, nor are analyses yet available on university support. However, materials that were available in 1982 as background for a NOAA/university symposium suggest that in FY 82 and FY 83, Sea Grant accounted for approximately 70% of all of NOAA's university involvements of all types, and approximately 60% of NOAA's university research effort. University R&D seems to have been less than 20% of the NOAA total. This is quite low for this kind of agency, and the general picture has not changed substantially in the past several years. Absolutely no reflection is meant on the NOAA laboratories in bringing out these figures. The point is not university versus in-house. It is rather that in the long run NOAA must more fully avail itself of the academic talent pool to augment its in-house resources if it is to most fully carry out its service, scientific and resource missions. In the short run, the agency is trying to go the other way, and attempting to eliminate its main source of interaction with the university community. NOAA needs to build on the Sea Grant capabilities, using them to enhance its university base and its total research effort.

I have briefly outlined these policy areas because I feel that they are matters that this committee and the Congress must address in considering this budget. They are also essential background for my discussion of the Sea Grant Program.

SEA GRANT

It would be tragic if the National Sea Grant College Program were to be terminated. Sea Grant is one of the most successful investments the federal government has made, and it should be supported, whatever the decisions that are made on the NOAA mission.

Sea Grant is the nation's primary university-based marine resource program. It is the principal ocean program that couples research with technology transfer. It is problem oriented, dedicated to a multidisciplinary approach involving a full range of research activities--from basic to applied--as well as education and public service. It is a matching program, and as such has consistently emphasized university/industry/government partnership on resource problems and opportunities. Sea Grant is one of the models that we as a nation should be emphasizing as we develop a national science policy to support economic and industrial development.

Sea Grant is a highly competitive and effective program. It is one of the most thoroughly reviewed national programs, both in terms of the number of outside reviews over the years and the degree of congressional oversight on the one hand, and the extensive--perhaps too extensive--annual program review that each Sea Grant university goes through. Repeatedly outside studies and the Congress have cited it as effective. This surely is because of proven benefits from the program--scientific, economic and societal.

The Sea Grant Association has prepared a resource book as a reference for the national Sea Grant network and as a report to the administration and Congress on its achievements. I have with me today a copy for the subcommittee. We have supplied copies to some of your staff, and are ready to provide additional copies for your offices. In addition, I have attached to this testimony a one-page review of the Sea Grant community's appropriation request for FY 86, as well as a background paper on the unfortunate FY 85 rescission proposal.

The resource book contains a great deal of background on Sea Grant, its participants, its broad scope, external evaluations of the program, and compilation of the authorizing legislation, including all amendments through the most recent 1984 reauthorization. Most of all, this book is a record of benefits derived from the program. Drawing primarily from this book, I would like to recount briefly some of these benefits.

**It is well to repeat that a 1981 report of the Sea Grant Task Force, reprinted in the resource book, showed that a sample of Sea Grant work led to annual economic benefits of nearly $230 million, nearly equal to the total federal investment in Sea Grant between 1968 and 1981, and nearly six times the current annual appropriation. In addition, an MIT report on a small sample of Sea Grant projects begun in 1975 showed that sales resulting from these projects amounted to over $44 million by 1982.

** The Pacific ocean has become America's most important seaway for trade. The Pacific Sea Grant College Program network, focus of regional Sea Grant programs in the Pacific, has convened workshops for both large and small ports, developed computerized management programs, and stimulated interest in expanded Pacific Basin trade.

**Alaska's Sea Grant College has been eminently successful in conducting conferences on international fisheries problems of the North Pacific. These have covered most major fisheries. Results have led to advanced management regimes and better use of resources.

**Recently the Wall Street Journal (February 1, 1985) and several national journals have reported enthusiastically on two projects which are reported on in the resource book: The work of Professor Daniel Morse in California and that of Professor Ronald Weiner at the University of Maryland. Both are applying modern biochemical and genetic techniques to marine resource questions. Dr. Morse working with abalone, and Dr. Weiner with oysters, have developed compounds which substantially increase our ability to culture these valuable and desirable shellfish. As you know, abalone is now quite rare and expensive, and oyster production in areas such as Chesapeake Bay had declined dramatically in recent years. It is only through improved scientific culture that these and many other valuable marine species are going to be available for harvest in the future.

**Before Oregon Sea Grant oceanographer Bill Pearcy went to sea in 1979, few people had addressed the overriding question in salmon production--what happens in the ocean? Not an easy question. Pearcy has used purse seine nets to sample juvenile salmon populations at regular intervals along the Pacific Northwest coast. Using Pearcy's data, fishery managers have increasingly come to understand that ocean conditions--more than hatchery practices--determine adult salmon abundance, and they are taking steps to enhance the young fishes' survival. For example, salmon stocks are now released into the ocean at different times and places, to avoid over-concentration of smolts or predatory birds and fishes.

**Genetic research at Delaware and California is leading to new saltwater-tolerant crops. For example, Sea Grant researchers at the University of California at Davis crossed a domestic tomato with a wild, salt-tolerant one, did additional breeding, and produced a plan that yields a tasty cherry tomato when grown in 70% saltwater. Selected germplasm from this project is being used by tomato breeders for commercial development. Furthermore, the researchers' production of barley irrigated with seawater demonstrated the potential of this genetic approach to salinity problems. This work has immense implications for areas where irrigation has led to salinity problems and to areas where saltwater intrusion of formerly freshwater areas is on the increase.

**In the area of ocean services and technology transfer, Sea Grant extension agents pioneered in providing National Weather Service data in usable form to fishermen, most notably in the case of sea surface temperature charts. This work began in California, where the Pacific Sea Grant College Programs provided this information to the albacore tuna fleet. The development was picked up on the East Coast, particularly in North and South Carolina, Florida and New Jersey, and a wide clientele was served. This information has had considerable impact on fishery catches, on trip planning and on fuel conservation. Many of these services are now regularly available through private concerns. The State of North Carolina is expanding the services signficantly. Currently, Sea Grant programs around the country are working with the National Weather Service on marine reporting (MAREP) services. Through this service, mariners provide up to date offshore weather reports which are relayed to the weather service for broader dissemination.

**Sea Grant has pioneered in the development of educational programs on marine resources. As one partial result, a number of the professional staff of the U.S. Senate and House marine-related committees are graduates of multidisciplinary professional degree programs which were initiated by several of the Sea Grant programs. I mention this only to give concrete evidence to our assertion that we are a primary source of the talent that this nation has for its marine efforts.

**The Great Lakes Sea Grant programs, particularly in Wisconsin and Michigan, are a national resource on questions concerning toxic substances in the aquatic environment. Both in the case of PCB's and of dioxin and other exotic compounds, they have helped improve our understanding of the sources of these toxicants, of their path through the food chain, of their persistence in the environment, and of their potential long-term effects. In recent years, due to considerable changes in other agencies, the Great Lakes Sea Grant programs--counting both federal and state matching funds--have become the nation's major source of research and scientific information on Great Lakes resources.

**A seldom understood role of the Sea Grant network is to link talents from hundreds of universities toward the goal of "putting America's oceans to work." The new Connecticut Sea Grant Program, for example, links the capabilities of the administering University of Connecticut with Yale, and Western Connecticut, and is cataloging the talents of other institutions for cooperation in the future. Even essentially inland states such as Arizona, Colorado, Arkansas, Idaho, Nevada, and Montana are active participants in Sea Grant projects.

* In New Hamphsire, the Sea Grant College has successfully developed oil spill containment boom techniques for high velocity current areas with the pressure of increasing human population on limited beach areas, New Hampshire Sea Grant research focuses on protection and enhncement of these marine resources. Results are applicable to similar areas nationwide.

**Professor Weiner at Maryland on stimulates improved oyster culture through biotechnology. Some of the greatest interest in his work has come from the state of Washington, where earlier research by the Oregon and Washington Sea Grant programs has helped revive the oyster industry. This demonstrates the national impact of Sea Grant's work. To extend this point further, the professor who has led the Sea Grant shellfish research and technology transfer effort in Washington state is now in France conducting a scientific symposium on shellfish culture at the request of the French government. This cooperative activity was arranged under the bilateral U.S.-French agreement which resulted from President Reagan's Williamsburg meeting with the European leaders several years ago.

These few of examples gives the flavor of the Sea Grant idea in action. Many other examples could be used, but I believe that these show why Sea Grant is a successful and effective program. I hope that they will also put to rest the puzzling allegation that Sea Grant is purely local in scope. The efforts that I have recounted are local in precisely the same way that research on corn or tomatoes could be classed as "local."

Contemporary American science is the most successful scientific enterprise in history. It operates in many modes, but the dominant mode is the university-based, investigator-initiated, peer-reviewed project which is responsive to broad national goals, but where the problems and the research procedures are identified at the grassroots level. Through the review and publication processes, and through the operation of scientific societies, the effort is national and even international in scope, and the interactions are constant. Sea Grant operates in this mode, though it has made certain adaptations, especially to insure a higher degree of programming at the institutional level. The system works well. It should be expanded, rather than being threatened with termination and subjected to ongoing erosion of support.

Over the past three years, there have been occasional suggestions within OMB, Commerce and NOAA that perhaps Sea Grant should be moved to another agency where it might fit better, such as the National Science Foundation, its original home, or the Department of Agriculture, with its long-standing partnership approach to the scientific understanding and improvement of resources. The Sea Grant community has continued to feel that NOAA is the mosty appropriate "home base" in the federal government. At the same time, the continued attempt within the federal government to dismantle NOAA and departmental unwillingness to accept Sea Grant make the situation troublesome. This simply is not the way to handle an effective activity.

NEW INITIATIVES

We have seen how the national, grassroots-based network performs, and why it is a good investment. I would now like to look briefly at several areas of national need, where enhanced Sea Grant activity can contribute in significant ways. These are areas that require increased funding, since further erosion of the existing base will endanger the national network and threaten the broad-based, multidisciplinary approach of Sea Grant. In each case, these are national needs and opportunities where Sea Grant's contributions are needed.

Marine Biotechnology

The Sea Grant community has identified marine biotechnology as the most immediate focus for a new national initiative. Considerable documentation exists on this matter, and additional materials are being prepared.

I cited the work at California and Maryland where the advanced techniques of biochemistry and genetics are being used to improve the production of abalone and oysters. Fish, shellfish and plant culture are prime areas for increased biotechnology research and applications. In the area of endangered species, biotechnology coupled with culture techniques may be a prime means of restoring the species. There are other areas of opportunity:

**the discovery of new drugs and compounds and techniques for production of antiviral vaccines;

**the study of marine toxins, which can be used not only in developing new drugs, but as pharmacological reagents, and as models for new synthetic chemicals;

**control of biofouling of ships and marine structures;

**increased production of natural substances that will aid biodegradation of sewage and of waste compounds in the marine environment.

Up to $2 million of Sea Grant effort, nearly 10% of the research program, is currently going into marine biotechnology, mostly with respect to living marine resources and aquaculture. This strains the limits of the existing system, but is an extremely modest start in an important national area.

At this time, there is government-wide interest in biotechnology, with perhaps the most interest in agriculture, but with every scientific agency involved in what is likely to be a complete national initiative in this area. Marine biotechnology is not getting much attention, though the Navy's interest in biofouling means that the Office of Naval Research will have a major activity in that aspect. Additionally, though there is activity in the National Bureau of Standards, the Department of Commerce, which is a significant scientific agency, is not much involved in this government-wide activity--particularly since Sea Grant, which is the prime source of biotechnology expertise connected with the Department, is essentially shut off from Departmental recognition. This is just one example of where universities, and Sea Grant universities in particular, could further Departmental, NOAA and most importantly national goals.

An example involving the University of Maryland and the Department of Commerce can underscore the potential for cooperation. A University of Maryland microbiologist, Professor Robert Yuan, has been engaged by the Department of Commerce for a 10-month study of biotechnology companies overseas. Thus, outside expertise is being used to supplement departmental resources. Hopefully such expertise will also be used to develop and implement effective programs.

Oregon State University, in conjunction with the state and with other institutions, is making a major thrust in the area of biotechnology. Because of Sea Grant, marine biotechnology is an important component of this thrust. Such activity is nationwide, as the promises of the biological revolution of the past several decades become reality. This is an area where, if Sea Grant did not exist, we would have to invent it to insure that these promises are realized with respect to marine resources.

Marine biotechnology is going to require long-range effort. Though there is opportunity for immediate applications, the bulk of the effort will have to be in long-term, high-risk, fundamental research, the kind of work for which universities are ideally suited. We want to be careful not to jump onto a bandwagon, but we must be prepared also for a substantial commitment. To improve public understanding, Oregon Sea Grant cinematographers with support from National Geographic, is producing a film on biotechnology with the tentative title the "Splice of Life."

Other National Initiatives

There are other areas of national need where NOAA activities could usefully be augmented by enhanced Sea Grant activity. Unlike biotechnology, which would be primarily a Sea Grant activity, in these areas Sea Grant would supplement and augment existing NOAA work. This should not be seen as a replacement, but rather as an expansion of the talent pool, without the addition of permanent government personnel and facilities.

ESTUARIES: Estuaries are vital nurseries and habitat for marine life. They are essential to a healthy marine environment and to the livelihood of those who depend upon the fishery. Because of their location, many of them are also prime areas of shore-based development and of run-off and sedimentation from up-stream sources. We are still learning how to manage our critical estuaries. Connected with the estuarine and habitat concerns, there is also a need for expanded work on water quality concerns in critical resource regions, such as the Great Lakes. NOAA has targeted estuaries as an area for NOAA-wide focus. Sea Grant is working with NOAA in related efforts, and could be a valuable asset in making this initiative viable. The North Carolina Sea Grant Program has just published "Research for Managing the Nation's Estuaries," the results of a national symposium sponsored by the National Marine Fisheries Service and Sea Grant. This document examines knowledge gaps in the areas of water management, sediment management, nutrients and contaminants, primary and secondary productivity, and habitat requirements for fisheries production.

FISHERIES OCEANOGRAPHY: Due to the fluctuation in stocks, there is increased interest in the physical, chemical and biological oceanographic influences on fishery stock variability. The hope is to find better means of predicting stock fluctuations in order to provide better information to managers, fishermen and processors for their planning purposes. It should also be useful in enhancement, restoration and mitigation projects. You will understand how complex and difficult this undertaking is lto be. A modest but important new initiative is included in the FY 86 NOAA budget in the Fisheries-Oceanography Coordinated Investigations Program (FOCI). The initial phase will involve NMFS and Environmental Research Laboratory personnel in combined research on pollock resources. Because of their expertise, they are essential components to such a national effort. However, as the work proceeds there will be need for the involvement of university atmospheric, climatic, oceanographic and fishery experts to insure the broadest possible talent base. This involvement is particularly important with respect to students.

TECHNOLOGY AND INFORMATION TRANSFER: Department of Commerce, NOAA and national goals stress the need for transferring and utilizing current information and developing the capabilities of individual citizens. Yet the the most successful example of these functions, the Sea Grant Extension Services, are ignored in the development of new initiatives--perhaps because Sea Grant does not officially exist. I have highlighted several examples of how advisory/extension services have been important in providing for the utilization of NOAA aids to fishermen and shipping interests without mentioning Sea Grant's crucial role in providing the impetus and mechanism for this provision of services. The Sea Grant Extension network, which covers the entire U.S. coastline, is a national treasure. In virtually every port in America, a Sea Grant Extension agent, known by name to marine interests, is on educational duty providing information to marine clientele.

I do not want to suggest the Sea Grant universities as job shops for the agency work program on the one hand, or as replacements for NOAA's own resources on the other. However, there are a number of areas where university capabilities and the management capacity of the Sea Grant programs at the institutional level can bring resources to bear that are badly needed. A genuine partnership approach to Sea Grant will yield considerable dividends to NOAA--and the country.

NOAA AND THE UNIVERSITIES

These new initiative examples point to a number of ways that Sea Grant can contribute further to NOAA goals. There are other examples where there are needs for increased NOAA/university cooperation including ridge processes and polymetallic sulfides, air-sea interaction, and long-term climate fluctuation. In some cases, the Sea Grant mode will be the best way to proceed. In others, the NOAA/university joint centers may be the best model. There are other options, depending on the nature of the problem being addressed. These should be used as appropriate, though care should be taken not to invent whole new institutional mechanisms where viable ones already exist.

I have pointed out earlier the importance in our society of universities as repositories of scientific talent, and particularly the importance of university graduate students in scientific advances. There is increasing recognition that increased partnership between universities, the private sector and government agencies is badly needed in many areas, particularly those where economic and industrial development is a priority. At this time, Sea Grant is the only example of such a partnership in NOAA. The joint NOAA/university centers are primarily research and scientific services activities, and even Sea Grant is not fully utilized as a partner.

RECOMMENDATIONS

Let me now briefly summarize the recommendations that logically derive from my testimony:

1) We urge you to support a Sea Grant appropriation for the core program at the authorized level of $42 million, in recognition of the effectiveness of the program and the need to contain further erosion of program capabilities.

2) We ask the Congress to reject the proposed FY 85 rescission of Sea Grant funds.

3) In addition, a new Sea Grant initiative in marine biotechnology should be supported in order to most effectively utilize the talents of the universities in this important area. This could either be done as part of the regular FY 86 appropriations cycle or, after hearings later this year, in a supplemental appropriation.

The National Sea Grant College Program has a short, exciting history, but the promise and opportunities for the future will confirm the wishes of Congress to stimulate continuous development of America's ocean resources. Sea Grant is not a short-term phenomenon, but rather, as Congress designed, a permanent partnership of government, industries, universities and the American people.

We appreciate your leadership toward this goal, shown through your strong support of the Sea Grant College Program.

Thank you.

RESOURCE BOOK

Mr. WICK. Thank you. Sea Grant Association has prepared a resource book as a reference to the National Sea Grant network and a report to the administration and Congress. We provided copies to your staff and will submit this one for the record also.

The resource book contains a great deal of background on Sea Grant. A number of examples of programs throughout the country, for example, the oilspill containment research done at the University of New Hampshire which we——

Senator RUDMAN [interposing]. I am very familiar with it.

Mr. WICK. I would like to now briefly summarize recommendations that logically derive from the testimony.

CORE PROGRAM

First, we urge you to support a Sea Grant reauthorization appropriation for the core program at the authorized level of $42 million in recognition of the effectiveness of the program and the need to contain further erosion.

Second, we ask the Congress to reject the proposed fiscal year 1985 rescission of Sea Grant funds so we can continue to what I call help put America's oceans to work.

Third, in addition, a new Sea Grant initiative in marine biotechnology could be supported to effectively utilize the balance of the university in this very important area.

The Sea Grant Program has a short-sighted history, but the promise and opportunities for the future confirm the wishes of Congress to stimulate continuous development of America's ocean resources.

Sea Grant is not a short-term phenomenon, but rather as Congress designed a permanent partnership of government, industry, agencies and the American people. Thank you.

MARINE SANCTUARIES AND DEFENDERS OF WILDLIFE

STATEMENT OF KATHRYN TOLLERTON, WASHINGTON REPRESENTATIVE FOR MARINE SANCTUARIES AND DEFENDERS OF WILDLIFE

Senator RUDMAN. Kathryn Tollerton, you represent Marine Sanctuaries and Defenders of Wildlife.

Ms. TOLLERTON. Thank you, Mr. Chairman. I am testifying on behalf of my own organization, Defenders of Wildlife, Center for Environmental Organization, Humane Society of the United States. We also very much appreciate strong continuing support for programs through the NOAA appropriations bill, and we are pleased to say the programs that we are testifying on today are supported both in the continued authorization and funding by the administration.

We do differ with the levels of funding that the administration has requested for fiscal year 1986. First, the National Marine Sanctuaries Program, we recommend $2,915,000. That is level funding at the fiscal year 1985 level appropriation. The administration would like to cut this by $700 million. This would result——

Senator RUDMAN [interposing]. How much?

Ms. TOLLERTON. Excuse me, $700,000.

Senator RUDMAN. I am sorry. If we appropriated that much last year, somebody made a terrible mistake. [Laughter.]

Ms. TOLLERTON. One too many zeros. The $700,000 reduction would severely cut back the management, research, interpretation and enforcement activities. These are really important to educating visitors to the natural features and marine inhabitants of the sanctuary and also make it important for human visitors for the reason of banning spearfishing and other activities in the sanctuaries.

In addition, at the level funding, the program could continue to work on acquiring new sanctuaries, which was done in fiscal year 1985, and continued management in fiscal year 1986. There are two more sanctuaries planned on the coast of California and the Gulf of Mexico. Those would be working on designating those sanctuaries.

NATIONAL ESTUARY SANCTUARY PROGRAM

Second, in the National Estuary Sanctuary Program, we also recommend level funding at the fiscal year 1985 level. That is $2.93 million. In this case, the administration does seek to cut that level down by a reduction of $1.6 million. This would severely decrease the ability of research to be done in those areas, and in these cases, research is often used by the coastal States in developing regulations to protect marine life from pesticide problems and, in addition, it could also severely affect the ability of the program to acquire new sites. In fact, the next site that they are interested in acquiring does happen to be in New Hampshire at Great Bay. In this case, there is some concern that with a very small appropriation, the program would have to spread out over many years the acquisition of property and, thus, increasing the risk of willing sellers or people from whom easements would be purchased in this case might not be amenable to the easement purchase.

We feel that both these programs, although very small in cost, have benefits that far outweigh the size of the programs.

MARINE FISHERY RESOURCE PROGRAMS

Finally, I turn to the marine fishery resource programs in National Marine Fisheries Service, and here we have a short series of recommended changes in the budget. There are three reductions that we would urge restoration of. The first on is a $1 million reduction in the debris and gear entanglement work. Second would be a $600,000 reduction in the endangered bowhead whale research and $175,000 reduction in endangered Hawaiian monk seal.

We also would oppose redirecting the marine mammal and marine species research. I see my time is expired. The remainder of our recommendations on increases are found in the prepared statement.

Senator RUDMAN. We will put the entire statement in the record.

[The statement follows:]

PREPARED STATEMENT OF KATHRYN TOLLERTON

WASHINGTON REPRESENTATIVE FOR MARINE SANCTUARIES

DEFENDERS OF WILDLIFE

Thank you very much for the opportunity to testify on the Fiscal Year 1986 budget requests for the National Marine Sanctuary Program, the National Estuarine Sanctuary Program, and the Protected and Endangered Species Activities of the National Oceanic and Atmospheric Agency (NOAA). I am testifying on behalf of Defenders of Wildlife, the Center for Environmental Education, and the Humane Society of the United States. Our members and supporters, who number more than 600,000 people across the United States, have a strong interest in the preservation and protection of our coastal and marine resources and in the protection of endangered and threatened species. At the outset, we want to express our thanks to all the Members of this Committee for their support for increased appropriations for activities such as the marine and estuarine sanctuary programs during consideration of the FY1985 NOAA budget. We believe it is in the national interest to improve and strengthen these programs. We are pleased that the Administration shares this view and supports their continued authorization and funding. However, we believe that the level of funding proposed by the Administration for FY86 should be increased, and we would oppose any reprogramming of FY85 funds for the programs.

Our funding recommendations for the marine and estuarine sanctuary and the protected and endangered species programs are summarized in the table below.

APPROPRIATIONS RECOMMENDED:

National Marine Sanctuary Program	$ 2,915,000
National Estuarine Sanctuary Program	$ 2,930,000
National Marine Fisheries Service Marine Fishery Resource Programs	$158,628,037 *

(* This figure represents the FY85 appropriation plus funds for suggested endangered species work.)

NATIONAL MARINE SANCTUARY PROGRAM

Turning to the Marine Sanctuaries Program, for Fiscal Year 1986, we request $2,915,000, level funding, for the program. This is $700,000 more than the Administration request of $2,215,000. To date six ocean and coastal water areas have been designated National Marine Sanctuaries (NMS), and two more will be approved during the current Fiscal Year. The new sites are: Fagatele Bay, off Tutuila Island in American Samoa, which contains western pacific corals and a deepwater terrace formation; and La Parguera, off the southwest coast of Puerto Rico, an area of abundant seagrass beds, unusual bioluminescent bays, and important habitat for endangered sea turtles and manatees. $2,915,000 is needed to continue the existing management, education, research, and enforcement activities at the sanctuaries. With the level funding we are recommending, NOAA will also be able to begin active consideration of the next two sites scheduled for designation as sanctuaries: Cordell Bank, an approximately 20-square-mile area off the northern California

Coast, which has a series of extensive undersea ridges and narrow pinnacles on the edge of the continental shelf, which is a feeding area for marine species ranging from the endangered brown pelican to the endangered humpback whale. Flower Garden Banks, the second site, is located in the Gulf of Mexico, approximately 110 nautical miles southeast of Galveston, Texas, and contains a terrace formation and the northernmost living coral reefs on the U.S. Continental Shelf.

A $700,000 reduction in the program from the FY85 level would force a severe cutback in the management, research, interpretation, and enforcement activities which are vital to the maintenance and conservation of the sanctuary sites. A strong interpretation program -- educating visitors about the sanctuary's natural features and marine inhabitants -- is essential to the protection of the sanctuary and to better public appreciation of man's impact upon the marine environment. A strong research program that charts the movement of whales or sharks within the sanctuary, for example, is essential to the development of the interpretation program and to scientific understanding of marine resources. Through the interpretation and research programs, visitors learn the reasons for banning such activities as spearfishing, bottom dragging, using of wire fishtraps, and bilge pumping in the sanctuary.

Mr. Chairman, these sites are a national treasure. I would like to cite a few prominent examples of their value:

* The U.S.S. MONITOR NMS, the first sanctuary designated, protects the sunken remains of the Civil War iron-clad vessel in the waters off North Carolina. The marine sanctuary program funds research to determine the best way to raise the vessel, an important historic marker.

* The Key Largo NMS, Florida, manages and protects coral reefs and marine feeding areas on the sanctuary, which is visited by over half a million people annually.

* The Point Reyes/Farallon Islands NMS, which boasts the largest seabird rookery in the lower forty-eight states, is important habitat for seabirds and marine mammals who are very sensitive to the human disturbance characteristic of the mainland coast.

These tracts are an important part of our national heritage, both environmentally and historically. If insufficient funds are allocated now to preserve and protect this heritage, it may be irreparably lost or damaged beyond the power of future generations to restore at any cost.

NATIONAL ESTUARINE SANCTUARY PROGRAM

Mr. Chairman, we are requesting $2,930,000 for the National Estuarine Sanctuary Program in FY86, the same figure as the FY85 appropriation and $1,600,000 more than the FY86 Administration request. If this major reduction were made, research would be cut severely and new sanctuary sites could not be funded. Since 70 percent of commercially valuable fish and shellfish spend an important part of their lives in estuarine and similar areas, an understanding of the physical and biological processes in these areas is crucial to maintaining fish stocks and is an important type of research environment which the sanctuaries offer.

Furthermore, the costs of acquisition for a single site would have to be spread over several years, greatly increasing the risk that willing sellers would turn to other purchasers. In fact, it could be detrimental to the purchase of easement rights in FY86 for the proposed sanctuary site at Great Bay, New Hampshire. The opportunity to preserve valuable estuarine areas for research, education, and recreation would be lost. This program is a federal-state partnership. The federal government bears only half the cost of acquiring these land and water sites, which are state managed. This is a very good investment of federal tax dollars. Fifteen sanctuaries have been designated in 13 states.

The marine and estuarine sanctuary programs are unique, the first of their kind in the world. We believe that the value of these programs far exceeds their small cost. Together, they constitute a recognition by the people of this nation that humankind cannot survive and prosper unless we preserve places for other creatures to dwell in peace. All life on earth, including human life, is ultimately interdependent. It is very much in our national interest to preserve both species and environments to which we as fellow creatures are intimately related in the seamless web of life.

ENDANGERED AND PROTECTED SPECIES

The National Marine Fisheries Service (NMFS) of the Department of Commerce is responsible for the identification and recovery of endangered and threatened marine species. Nineteen marine species have been listed under the ESA, including all seven species of sea turtles, the shortnose sturgeon, several species of pinnipeds, and most of the great whales. All species of marine mammals, including those listed under the ESA, are also protected by the Marine Mammal Protection Act (MMPA). NMFS has combined activities and budgets authorized by the ESA and MMPA into its "protected species" line items for research and management. Our comments here are directed at endangered species work; however, we support continuing work authorized under the Marine Mammal Protection Act at at least the current levels as well.

A reduction from $11.251 million to $6.976 million has been proposed for protected species research and management line items in the FY86 NMFS budget. Funds available for research would be cut by more than 50 percent, to $2.675 million. Marine Mammal and endangered species research is to be cut by $1,500,000 and redirected to the Fisheries - Oceanography Coordinated Research Program (FOCI). We oppose any shift in funds at the expense of endangered and threatened species, particularly in light of the apparently continuing decline of some listed species such as the Gulf of California Harbor Porpoise and continuing damage done by debris and gear entanglement to other species. The Administration proposes to cut $1,000,000 from debris and gear entanglement work as well. Research cuts also include $600,000 for research on the endangered bowhead whale, and $175,000 for research on the endangered Hawaiian monk seal. Even if a certain phase of research has been completed in these areas, work can shift to more active protection and recovery based on that research, such as establishing a reasonable critical habitat boundary of 20 fathoms for the monk seal and working with the fishing industry to protect that habitat. We therefore recommend restoring funds for each of the above areas.

We recommend that $50,000 be provided to develop and begin implementing a recovery plan for the Gulf of California Harbor Porpoise. The recent listing of this small cetacean presents a unique opportunity for bilateral work with the Mexican Government and perhaps our last chance to save the smallest porpoises on earth from extinction.

We recommend that an additional $1,240,000 be made available for research and recovery work on endangered and threatened Sea Turtles.

These projected Sea Turtle expenses include:

- $120,000 for further testing of the Turtle Excluder Device (TED) and for promotion of its use in the U.S. shrimp industry. The device, which eliminates the incidental drowning of threatened and endangered species of sea turtles, must be promoted. Unless there is aggressive promotion of the device, the voluntary adoption program, supported by the industry, the government, and the conservation community, will fall apart. In that case, public pressure, including possible court action, could force the agency to require the use of the TED through regulation.
- $500,000 is needed for surveys of sea turtle populations. In order to provide adequate information for the status review of listed sea turtle species as required under the ESA, NMFS must conduct a thorough survey of U.S. waters in order to estimate population sizes and trends. This requires expensive aircraft and boat time.
- $500,000 is needed to expand the NMFS headstarting of critically endangered Kemp's ridleys at the Galveston laboratory. Unless substantially more juvenile Kemp's ridleys are released, the prospects for recovery of the population will remain very dim.
- $70,000 is required as a U.S. contribution to preparing and supporting research for the second session of the Western Atlantic Turtle Symposium (WATS). WATS is providing a means for regional cooperation in the recovery of threatened and endangered sea turtle populations.
- $50,000 is required to provide research and other support for the development of a recovery plan for Pacific sea turtle populations. The development of this plan is long overdue, at a time when pressures upon resident populations are increasing.

Finally, to do its work under the Endangered Species Act, NMFS must develop a system for identifying and evaluating candidates for listing under the Act. NMFS should also develop and propose a list of endangered and threatened marine plants and animals. NMFS does not have the capacity to do so on any regular basis. The most effective way to accomplish this may be to provide the funds and direct NMFS to develop both the system and the list in conjunction with an Institution such as the National Science Foundation, the National Museum of Natural History, or the Woods Hole Oceanographic Institute. We estimate that $300,000 would be required for developing an appropriate system and that another $1,000,000 would be required for developing the initial list.

Given the very expensive nature of marine research, a full program of status surveys, listing, and recovery work for endangered and threatened marine species could require approximately seven million dollars a year, certainly by FY88. For FY86, however, we recommend that the existing endangered species program levels of NMFS Marine Fishery Resource Programs be maintained and an additional $2,590,000 be appropriated for FY86.This concludes our testimony. Thank you again for your strong and continuing support for these programs and for your attention and consideration today. We would be glad to answer any questions you may have on our endangered species and marine and estuarine sanctuary program recommendations.

COASTAL STATES ORGANIZATION

STATEMENT OF RICHARD DELANEY, CHAIRMAN, COASTAL STATES ORGANIZATION

ZERO FUNDS ON SECTION 306

Senator RUDMAN. Richard Delaney, Chairman of the Coastal States Organization.

Mr. DELANEY. Thank you, Mr. Chairman. We appreciate this opportunity on behalf of the Coastal States Organization, which is composed of 35 delegates of Governors from 35 States and territories. I am pleased to be here to comment on the budget. Needless to say, the coastal States are not pleased we have to start this discussion with a recommendation of zero funds on the 306 section, and especially that this is the 5th year we will be starting at that point. We do want to thank you and your committee for reversing that position in past years.

I think the central message we would bring to you this morning is that it is perhaps more critical than ever in these upcoming years, especially next year, to maintain sufficient funding for those programs. The testimony that I have submitted basically details that position. I would just like to highlight three particular points in my couple minutes this morning, one of which is I would like to be sure the committee is aware that the funds that were appropriated last year under fiscal year 1985 306 grants have not reached the States. That is essentially due to footdragging by NOAA. Now the rescission request and we fear in the future, discussions of deferral attempts will continue to delay the allocation of those funds. All of this despite the fact the budget for Commerce was one of the few that was brought in under the OMB ceiling last year signed by the President back in August, yet we have still not see those dollars. This leaves the States in a very serious financial position. We project 15 of our States will be in a crisis situation. That is a factor in my State in Massachusetts. We will have expended our Federal grant at the end of this month, and will be facing layoffs.

FEDERAL GRANTS TO STATES

Senator RUDMAN. What was the total Federal grant to the Commonwealth?

Mr. DELANEY. It was $650,000 last year.

Senator RUDMAN. Philosophically, do you think the Commonwealth of Massachusetts, the State of New Hampshire, and the State of Maine, might be in slightly better fiscal shape than the Federal Government, and maybe the legislature of the Commonwealth and my State of New Hampshire—I am giving you a hypothetical—and the State of Maine might be better able to come up with the money. They could help you with State money raised by State sources rather than the Federal Government sharing money with you that we don't have right now?

Mr. DELANEY. The State of Massachusetts has increased its allocation from $100,000 to $500,000 in the last couple years to try to fill in the gap.

Our original grant used to be $1.5 million from the Federal Government. We are receiving a little more than one-third than what we originally did, and I realize there is a lot of discussion about the State surplus and, in fact, the administration's position often has been, it has been recently this year, we should transfer the responsibility for the cost of these programs to the States because of the surplus.

I would like to point out that is the same position the administration has had for the last 5 years, even when the States did not have a surplus. When we were in a deficit situation, the same rationale was being used. I would suggest there is a lack of consistency in some of the arguments.

The surplus a lot of States have is relatively small. This was essentially my second point I would like to make. I will just add, we are up for reauthorization in this next year.

PROGRESS MADE BY STATES

To end on a positive note, despite the obstacles and uncertainties of the budgets, there has been terrific progress made in all States—Massachusetts, New Hampshire, and others—to the national interest we all are concerned about in terms of waterfront renewal, but we see in the future even more important issues—5-year lease plans are being developed; ocean incineration. It is critical the States and the Federal Government share in the responsibility in the cost of making these good decisions.

[The statement follows:]

PREPARED STATEMENT OF RICHARD F. DELANEY

CHAIRMAN

COASTAL STATES ORGANIZATION

Mr. Chairman and Members of the Committee, my name is Richard F. Delaney. I am Chairman of the Coastal States Organization (CSO) and Assistant Secretary for Environmental Affairs for the Commonwealth of Massachusetts. On behalf of the CSO, a representative association for the governors of the 35 coastal states, commonwealths and territories, I appreciate the opportunity to present our views in support of state grant programs authorized under the Coastal Zone Management Act (CZMA) and administered by the National Oceanic and Atmospheric Administration (NOAA).

When the President submitted his proposed FY86 budget to the Congress earlier this month, neither I nor our member states were surprised by the Administration's refusal to include funds for CZMA grants to states. Attempts by the White House to eliminate these funds have become an annual ritual; this budget is the fifth in a row that zeroes out CZMA funding. If it weren't for the efforts of this Subcommittee and Congress to reinstate the federal share of CZMA funds and to uphold the federal government's commitment to coastal states as partners in the national coastal zone management program, 28 states would have been forced long ago to dramatically reduce the scope of their coastal management programs or discontinue operations altogether.

However, coastal states face an even more perilous scenario this year with the President also proposing a complete rescission of $37 million in FY85 CZMA grants to states. For coastal management programs to remain operational through this year and beyond, Congress must reject the President's FY85 CZMA rescission recommendation which will begin impacting states next month and approve a level-funding FY86 appropriation of $37 million in CZMA Section 306, 306A and 309 grant funding. To help offset our funding request for FY86, the CSO recommends that incoming revenues from Coastal Energy Impact Fund (CEIP) loan repayments be transferred to the CZM budget account as Congress has done in previous years.

Coastal states understand and can readily appreciate both the President's and the Congress' desire to restrain federal spending. Figures released recently by the National Governors' Association and the National Association of State Budget Officers indicate that several coastal states which are eligible for CZMA grants may have a budget surplus by the end of FY85. What these estimates don't reveal, however, is that this surplus amounts to only 3.14 percent of the coastal states' total 1985 general revenues and represents a reduction from the average coastal state balance surplus of 4.65 percent in FY84. Nor does this figure reflect the fierce competition that has developed within states because of substantial federal budget cuts for whatever state funds are available to help finance programs such as coastal management. With this in mind, the CSO has limited its FY86 request for federal CZMA grants to what amounts to a barebones funding level if the FY85 CZMA rescission is rejected. Member states of the CSO realize that in supporting a "freeze" of federal CZMA funding for FY86, that coastal states will absorb the full cost of emerging federal ocean activities proposed for 1986. Such activities, which will undoubtedly have consequences for coastal states, include: the implementation of the Department of Interior's new 5-Year OCS oil and gas leasing plan, the Environmental Protection Agency's offshore incineration and ocean dumping programs, and federal studies to explore and develop the U.S. Exclusive Economic Zone. Member states of the CSO also realize that, without these funds, coastal states will be unable to either meet their obligations under the CZMA or maintain their coastal programs.

Section 306, 306A Grants Assistance

In 1980, Congress reauthorized the coastal zone management program for an additional five years as part of the Coastal Zone Management Improvement Act. Section 303(2) of the Act specifies that states must spend 20 to 30 percent of their federally-appropriated Section 306 grant funds to fulfill certain managerial requirements. This means that for every federal dollar a state receives to administer its coastal zone management program, no more than 80 cents can be spent on the state's basic coastal program operations. Unfortunately, because of severe federal limits imposed on CZMA funding levels over the last four years, states have been forced to redirect whatever Section 306 administrative grant monies have been available toward survival maintenance of core coastal program functions. As a result, several states have been unable since 1981 to fully meet the Section 303(2) requirements established by Congress. The FY85 CZMA appropriation approved by Congress, signed into law by President Reagan in August, and now proposed for rescission was intended, in part, to address this problem.

Last year the President also approved as part of the FY85 State, Justice, Commerce and Judiciary Appropriations bill (P.L. 98-411) funding for state resource management improvement grants under Section 306A. This is the first time money has been appropriated for Section 306A projects since the section was added to the CZMA in 1980. Regrettably, this funding is also subject to the proposed rescission. The CSO urges the Committee to again support the allocation of a portion of a state's Section 306 administrative grant allotment for purposes of Section 306A. As state coastal programs mature and become fully operational, federal 306A grants will serve as a litmus test of the coastal zone management program's effectiveness and will allow states for the first time to implement some of the land-based portions of their coastal programs, such as completion of small scale, low-cost coastal recreation and resource protection projects. Typical 306A projects would include dune and tidal marsh restoration, public access walkways, benches and lighting on public piers, and small scale, low cost shoreline restoration and stabilization projects.

Section 309 - Coastal Zone Management Interstate Grants

The CSO believes that the coastal states' cooperative interstate and regional efforts to establish effective mechanisms for identifying and resolving mutual coastal resource concerns deserve federal funding support.

A good example is the combined efforts by the States of Maryland, Pennsylvania and Virginia to clean up and preserve the Chesapeake Bay--made possible by a two-year federal Section 309 interstate grant to the State of Maryland totaling $550,000. The tri-states' progress in collecting Bay resource data and developing recommendations based on that data will aid the restoration of fishery stocks and restore the ecological balance to the nation's largest and most significant estuary. A similar proposal is being pursued by Delaware and Pennsylvania for Delaware Bay.

Land and water resource management efforts currently underway in Michigan and Wisconsin could be greatly enhanced by federal financing under Section 309, as could efforts by the Pacific coastal states to establish procedures for federal-state consultation regarding the proposed Gorda Ridge and Hawaiian offshore mining lease sales by the Interior Department.

Unfortunately, due to the proposed CZMA rescission, not one cent of the $1 million in FY85 Section 309 grants, including $300,000 to continue tri-state efforts to preserve the Chesapeake Bay, has been released.

Conclusion

The coastal states' critical need for these funds cannot be overemphasized. Here's why:

o First, most coastal states are financially unable, assuming their willingness, to carry full responsibility for managing this nation's ocean and coastal resources. If FY85 CZMA grants are not awarded to eligible states, seventeen states and one territory will exhaust their federal coastal management grants before the end of FY85. Many of these coastal states will be forced to completely shut down their federally-approved coastal management programs if CZMA grants are not made in a timely fashion. All will be forced to substantially reduce their CZM efforts. Estimates as to the possibility of state funding support replacing federal grants-in-aid are, in general, not encouraging given the projected year-end balances of many coastal state budgets and the competition over state funds to mitigate other federal budget cuts.

o Secondly, the Administration's revamped and accelerated 5-year OCS oil and gas leasing program is now in place, straining state capabilities to maintain their statutorily-guaranteed role in the nation's OCS program. The ability of affected states to anticipate, prepare for and mitigate the impacts from federally-initiated development will be taxed for years to come. The technical staff the states need to meet this demand are supported primarily by federal CZM funds. If federal funding support is not obtained, staff layoffs, which have averaged nearly 25 percent over the past few years, would continue and ultimately lead to delays in processing time for coastal development permits, program reductions in permit monitoring and enforcement, and lengthy delays in CZMA federal consistency reviews.

o Finally, the press of "normal" coastal business continues. In the face of ever-present shoreline development, coastal population growth, unforeseen natural hazards, harbor-port expansion and activity, wetland conversion, recreation and tourism, fisheries utilization, and energy facility siting, states are being asked to continue their role as the nation's stewards in the proper coordination and management of these often competing interests. This is a role the states readily accept, but cannot maintain without a reasonable level of federal funding support.

In its budget analysis, the Administration has attempted to portray federal funding for state coastal management as "seed" money that is no longer needed or appropriate. It contends that the federal-state coastal management partnership embodied in law has been successful and is now complete, that the coastal management mechanisms are fully and equally implemented by a vast majority of coastal states and that federal funding can be withdrawn without undue harm to the alliance. We strongly disagree and take issue with these views.

It is our understanding that only in the Senate Appropriations Committee report on the FY81 Supplemental Appropriations bill has there been any legislative history that remotely backs the Administration's claim. The report describes the recommendation of the Committee to transfer $40 million proposed for rescission in 1981 from the Coastal Energy Impact Fund "to CZM to provide continued support grants to States under the CZMA for a phase-down of the program." The report also states the Committee's concern "that the abrupt termination of CZM funding in 1982 as proposed by the President could lead to discontinuance of up to 20 of 25 State programs approved by the Secretary to date." Federal funding support under the CZMA has resulted in a de facto "phase-down" of the program over the past four years, while federal funding levels decreased even as state coastal budgets increased. Certainly this legislative history does not support the Administration's contention that Congress intended that the states would ever be the sole stewards of the country's coastal resources, or that the abrupt termination of the CZMA grant assistance to states is in the national interest. Further, this Committee and the Congress have repeatedly since 1982 restored money for the continuance of CZM programs to a budget in which the Administration has recommended no funding.

The promise of federal funding support was, and is, a major incentive for states to enter into and remain in the business of managing the nation's coastal resources for the benefit of all U.S. residents. Presently, 28 coastal states and territories have obtained federal approval for their coastal management programs, beginning with the State of Washington in 1976 and, most recently, with the States of New Hampshire and New York in 1982. Coastal program approval for the Commonwealth of Virginia is also expected later this year. Moreover, due to an increase in proposed federal offshore activities potentially affecting state coastal areas, there is renewed interest in the States of Texas and Georgia to participate in the national coastal program.

We believe that the coastal management partnership is still dynamic, with states exhibiting varying levels of experience in program approval and implementation, and each with differing responsibilities for significant program improvements mandated by the CZMA in the national interest. As a result of the federal support which coastal states and territories have received thus far, a solid record of achievement has been compiled. However, despite that record of success, much work remains to be done.

Termination of federal coastal management grants to states is a false economy. It must, by necessity, result in program reductions that would encourage the unwise, imbalanced, irresponsible use of coastal resources. In the case of OCS oil and gas leasing, exploration and development, there would be no savings from the termination of grants to states for coastal management. To the contrary, loss of state technical staff and resultant processing delays for a variety of statutorily required coastal reviews and permits--particularly those pertaining to OCS exploration and development plans--would clearly cost the Federal Treasury more in lost revenues than could be saved by refusing coastal management grants to states. In fact, as technical staff are laid off in state CZM programs, negotiations over lease and permit conditions become less likely and litigation becomes more likely in the face of disagreement.

In sum, the Coastal States Organization strongly urges that the Subcommittee reject the President's FY85 CZMA rescission and to approve $37 million in grants to states for FY86 as authorized under Sections 306, 306A and 309 of the CZMA. We also urge that the states' CZM account be reinstituted as a separate NOAA budget item and that it not remain in the budget structure of the Operations, Research and Facilities (ORF) account of NOAA. We question the advisability of consolidating CZM funding within a general program account. To do so hampers the ability to monitor the allocation of such funding by an agency whose primary mission appears to be the elimination of federal support for state coastal management activities.

Coastal states have shown a willingness to accept their legitimate role as managers of this nation's ocean and coastal resources and to form a strong, viable partnership with the federal government. They must, however, have the continued financial ability to do so. I urge this Subcommittee to again take a leadership role in preserving these important national programs by adopting the recommended actions for state coastal management grants to maintain this partnership.

NATIONAL WEATHER SERVICE EMPLOYEES ORGANIZATION

STATEMENT OF JOHN QUADROS, PRESIDENT, NATIONAL WEATHER SERVICE EMPLOYEES ORGANIZATION

WARNING AND FORECAST PROGRAMS

Senator RUDMAN. Mr. Quadros.

Mr. QUADROS. Thank you, Mr. Chairman. I am John Quadros and I am president of the National Weather Service Employees Organization and I also work as a meteorolgist in the San Francisco forecast office.

Senator RUDMAN. How is your batting average? I know it rains out there whenever I am there. [Laughter.]

Mr. QUADROS. Well——

Senator BUMPERS [interposing]. How many people do you represent?

Mr. QUADROS. We have 1,400 members. We have a total organization, the National Weather Service itself has about 4,000.

NOAA BUDGET CUTS

The proposed NOAA budget contains substantial cuts in the warning and forecast programs carried out by the National Weather Service. Warning forecast functions, as you know, are the heart and soul of the National Weather Service.

These cuts are both in terms of funding and personnel. The cuts will produce two results. First, jeopardize public safety and eventually cause the need for increased funding to restore essential services and end up costing the taxpayer in the long run.

The National Weather Service is a highly visible agency and affects everyone. All areas of the Nation will be affected by the cuts. The trends contained in the proposed budget is to have weather service offices cover a greater geographic area with fewer people.

NORTH CAROLINA TORNADO DISASTER

A case in point is the March 28, 1984, disaster in the Carolinas in which a series of tornados caused $200 million in damage, killed 59 people, injured 1,300 and left 3,000 homeless. The NOAA Disaster Survey Report concluded that the lack of sufficient tornado warnings during this disaster was caused, in part, by the absence of a full-time warning/preparedness meterologist in Raleigh, NC, and the fact that the South Carolina warning/preparedness meteorologist was only able to make two to four trips a year to North Carolina.

PUBLIC SAFETY RESPONSIBILITY OF NWS

The public safety responsibility of the National Weather Service is serious. With this responsibility comes a liability. A recent Federal court ruling in Boston held that the National Weather Service is liable for the deaths of three fishermen in a fierce storm that forecasters failed to predict. Specifically, the issue concerned failure to maintain a weather observation buoy. Yet in the proposed NOAA budget, we find that the maintenance funds for the two Hawaii data buoys, as well as data buoy research programs and ocean service centers, would be eliminated.

The proposed NOAA budget has numerous cuts which will eliminate many important services and make it more difficult to carry out the remaining functions.

PERSONNEL CUTS PROPOSAL

The proposed budget also includes a statement that 519 positions will be saved through the contracting out of the weather service functions to the private sector. A total of 848 positions proposed to be cut, which amounts to 20 percent of the fiscal year 1985 current available positions. Many of the offices are understaffed now and a further 20-percent cut will produce critical shortages.

CONTRACTING-OUT PROGRAMS

Finally, the proposed NOAA budget has an undue reliance upon contracting out as a budgetary quick-fix. Our organization time and time again has shown that this type of savings is artificial and costs more in the long run.

We cited one example, Stampede Pass in which the Federal Government was forced to pay emergency temporary Federal employees to provide interim weather services between contractors when the current contractor demanded a 60-percent increase for the contract renewal.

The Stampede Pass situation got worse and attached to my statement is a copy of a NOAA memorandum which states that new contractor, Highlife Helicopters, is experiencing financial difficulties which may jeopardize critical services not only in Stampede Pass, but other sites.

In summary, the National Weather Service budget should not be cut below the critical amount needed to conduct an adequate National Weather Service. We are presently conducting a detailed analysis of the proposed NOAA budget, which we expect to complete in the next 3 weeks. Our analysis will include not only the items I mentioned today, but many of the details we don't have time to present now.

With your permission, Mr. Chairman, I would like to submit our report upon completion to the subcommittee for inclusion in the formal record.

Senator RUDMAN. We will be very glad to receive that and will hold the record open until we receive it.

Senator Bumpers, do you have any questions?

AGRICULTURAL SERVICES

Senator BUMPERS. I have one question on the Agricultural Service. How is that separate as a program from normal forecasting?

Mr. QUADROS. Normally, there are forecasters that concentrate just on agricultural forecasting through the crop season and growing season. They are located in specific offices around the country and the program as a whole is proposed in the budget to be cut.

Senator BUMPERS. You have people in the National Weather Service who do nothing else except weather forecasting?

Mr. QUADROS. Yes.

Senator Bumpers. Give me an example. They give frost warnings?

Mr. Quadros. They give frost warnings, information for spraying the crops, low level wind forecast, temperatures.

Senator Bumpers. I think that is a great service, but my question is, could that not be done by ordinary means? They are always giving us the windchill factor. Couldn't they tell us what farmers should expect from the weather?

Mr. Quadros. The reason we have extra people is that it is an added service we provide to the farmers specifically, and the details that are included for the farmer are not——

Senator Bumpers [interposing]. How many people in the National Weather Service are involved with just agricultural weather forecasting?

Mr. Quadros. I don't have the figure offhand. It is on the order of somewhere around 50.

Senator Bumpers. Can you tell is exactly what that program is costing?

Mr. Quadros. No; I can't, not offhand.

Senator Bumpers. Let me ask you this: Has the administration specifically proposed cutbacks in that program, or are they just saying NOAA ought to be cut by $286 million?

Mr. Quadros. I have just been handed the part of the budget. It says savings of 29 positions and $1million can be achieved by eliminating the Agricultural Weather Service Program.

Senator Bumpers. Mr. Chairman, I have to check with my farmers to see how important it is to them.

Mr. Quadros. I know the farmers in California feel it is very important. We have had a lot of complaints that if they do go to a private industry, which is what one of the proposals is, that the private industry would, first of all, cost a lot more than now but would not be able to provide the quality service that the National Weather Service does. It has been tried in California. The company that was running it there hired meteorologists fresh out of school and had a hard timing holding on to them. As a result, the turnover reduced the quality of the forecast.

Senator Bumpers. I hear on the radio at home reports that drying conditions will be good today. If the sun is out and the wind is blowing, everybody knows drying conditions are going to be good. I am not criticizing the program because I don't know much about it.

Mr. Quadros. Hopefully, the report would say the drying conditions will be good tomorrow or the next day so he can plan.

Senator Bumpers. You say normal activities, the wind is going to be blowing, sunshine and the temperatures are going to be 70 degrees over the next 3 days; he still knows what that means as far as his drying conditions are concerned. That is just a term that is used in agricultural weather forecasting. You don't have to be brilliant to know when you hear the weather forecast if drying conditions are going to be good or bad.

Mr. Quadros. Sometimes it is obvious; sometimes not.

Senator Bumpers. Mr. Chairman, I have an opening statement and I would like to insert it in the record.

Senator Rudman. It will be inserted in the record in the appropriate place, and we will move on to our next panel. Thank you all.

Panel I—Department of Commerce Programs

Institute of Electrical and Electronics Engineers, Inc.

STATEMENT OF RUSSELL C. DREW, THE INSTITUTE OF ELECTRICAL AND ELECTRONICS ENGINEERS, INC.

PREPARED STATEMENT

Senator Rudman. Panel I is now here, we understand; Dr. Drew, Peter Fannon, and Douglas Bennet. This panel will be presenting testimony on Department of Commerce programs.

We are on a very tight schedule today for a number of reasons. So we would like you to observe the lights which will now go green.

Mr. Drew. I would like to talk to you today about two very specific items within the Department of Commerce budget. I would like to have my written——

Senator Rudman [interposing]. All statements today are going to be incorporated in the record as if read, and we would just appreciate your best summary of your salient points.

[The statement follows:]

PREPARED STATEMENT OF DR. RUSSELL C. DREW
INSTITUTE OF ELECTRICAL AND ELECTRONICS ENGINEERS, INC.

I particularly appreciate the opportunity to appear before this subcommittee to present views of the Institute of Electrical and Electronics Engineers (IEEE) on the proposed FY 1986 budget for the Department of Commerce, and particularly with respect to the funding for the National Bureau of Standards and the Office of Productivity, Technology and Innovation.

As the largest technical professional society in the world, the IEEE has a very special interest in the healthy growth of technology and its productive application to serve people's needs both here and abroad. We are transnational society, with over 260,000 members throughout the world and over 215, 000 members in the United States. Our membership is engaged in advancing the frontiers of knowledge across a broad range of exciting and fast-growing technologies that are vital to our national industrial competitiveness, and we are therefore particularly interested in Governmment programs that support that objective.

One of the key Government functions that quietly and invisibly undergirds our technological society is industrial standards, both developed and established at the Government level and also supported by a wide-spread voluntary standards generation effort, in which the IEEE is a major partner. As a result, we in the IEEE are very strong supporters of a strong, leading edge standards effort within the NBS. For this, there needs to be adequate and consistent funding and incentives to attract and retain competent personnel. Since U.S. industry is increasingly part of an international market structure in which products that are manufactured overseas are making significant inroads, international standards are very much an integral part of our ability to enter and compete in these international markets. The NBS has an important role to play in this area, as well as on a purely national basis.

INSTITUTE FOR COMPUTER SCIENCES AND TECHNOLOGY

In this context, we are seriously concerned about the proposed 50% reduction in funding for the Institiute for Computer Sciences and Technology (ICST) for FY 1986, from a level of $10 million in 1985 to $5 million for 1986, and with a loss of 35 positions. This is the fourth year that the Administration has proposed a major reduction in this program, with Congress taking action to restore the funding support for the ICST in the previous three years. We strongly support restoration of the funds for ICST to the 1985 level of $10 million.

This level of support is needed if the valuable programs being conducted by the ICST are to yield the positive benefits that are needed in the areas of computer security, international standards development, standards measurement and testing, and development of new standards. In just one of these areas, computer security, it is clear from the wide variety of well-publicized unauthorized entries into computer data bases by computer "hackers" or other more sinister elements of society that urgent measures to deal with computer security are needed. It is also clear that the many networks and suppliers of computer services need the unifying force of a neutral third party, that is , the ICST, if we are to avoid a proliferation of technical measures that could result in a chaotic situation in the industry.

The ICST has structured a broad and well-integrated program in this area that will serve to provide a common ground for the industry to converge on technical and procedural standards to be applied to the growing problem of computer and network security. This program includes attention to encryption standards, local area network security, electronic funds transfer security, small systems security, and network security architectures. With the increasing dependence on computers that has developed in all sectors of our business community such efforts are absolutely critical to continued developments in this area.

The ICST also conducts research and provides technical support for the development of national and international standards for computer software and hardware and for computer networks. These efforts benefit both industry and Government computer users as well as the computer industry in the U.S. In this area, the ICST again works in concert with the industry, providing a common meeting ground in which many technical inputs can be received and broadly applicable and technically sound agreements can be achieved on standards for industry use. The benefits from these standards include significant cost savings as well as improved system performance and improved marketability for U.S. products. In one area, computer based message systems, computer disk drives, and high level protocols for networks, the benefits from the standards work of the ICST have been estimated to be about $400 million. Clearly, cutting off this program so vital to the continuing economic competitiveness of the U.S. would be "penny-wise and pound-foolish".

PRODUCTIVITY, TECHNOLOGY AND INNOVATION

In FY 1986, the Office of Productivity, Technology and Innovation essentially is proposed to be eliminated. This office has been the focal point for several important aspects of technology policy development of great significance to high technology industry and to our industrial competitiveness. It has had an important role in promulgating guidelines for the formation of R & D limited partnerships and in bringing about a broad awareness of the potential of this funding mechanism to assist new ventures to grow in fields that are just becoming commercially viable. The office has played an important role as a catalyst---not spending large amounts of Federal funds, but rather serving to help more efficient use of private capital in support of new enterprises particularly in emerging high technology areas.

At this time when the continued vitality of U.S. industry and our ability to compete in world markets is crucial to the development of a revenue base that will control our deficit and our negative balance of trade, it is difficult to comprehend why this office has been targeted for extinction. It is the only office that has the role of focussing on the needs of high technology development in an industrial setting and from an industrial perspective. Their continuing contributions to further improvements in patent policy, support for the newly-enacted cooperative R & D provisions of anti-trust law, and attention to the special problems of high technology entrepreneurs are all important to the relations between Government and industry that must be promoted if we are to continue to serve as a leader in the application of state-of-the art technology to industrial products and services.

We support restoration of funding to the Office of Productivity, Technology and Innovation to the FY 1985 levels, that is, to $2.7 million, an increase of $0.7 million, and a restoration of the 50 staff positions that are proposed to be cut.

Mr. Chairman, these two organizational elements, ICST and OPTI, are rather small parts of the large departmental structure, but they play important roles far exceeding their small size. They do not spend large amounts of Federal money, but by their efforts make much more efficient the large private sector investments that are made in their areas of interest. This is Government playing an important and effective role, one that is consistent with the desire of this Administration to keep Government intervention to a minimum. We believe that continued funding of both of these organizations at their 1985 levels is in the national interest and we highly recommend this action to you.

This ends my prepared remarks. I will be pleased to respond to any questions you may have.

EFFECT OF COMPUTERS ON AMERICAN INDUSTRY

Mr. DREW. Mr. Chairman, as you well recognize, computers are changing the face of industry as well as society as a whole. Probably one of the most revolutionary technologies to come along in our increasing technological society, they are going to continue to play an extremely important role, not only for Government, but in the private sector.

We have very few places in the Government where the standards that apply to this growing computer industry are addressed in an impartial and objective way. It is an extremely vital and important function dealing with computer standards, networking, protocols, a variety of technical issues in the way computers play together and increasingly we are also finding that is a terribly important part of the computer revolution, that is linking them together effectively in networks, using communications protocols and internal protocols.

COMPUTER SECURITY

The Institute for Computer Science and Technology is that one place in Government where that function is addressed. This is now the 4th year it has been proposed to basically decimate those programs at the ICS. This year they are proposing a cut by 50 percent. This, I believe, is an extremely penny-wise and pound-foolish measure. The institute programs now and in the future year, 1986 and beyond, are going to focus on such items as computer security.

You are quite aware of the fact that as these networks have enlarged the data bases have had an extremely important role in everything from electronic funds transfer, health care, and so on, unauthorized entry into these systems and it is a serious, growing problem.

The Institute for Computer Science Technology is at the forefront bringing about the commonly agreed protocols to permit safety and security of these systems. That is one example of the extremely important function.

I would like to encourage restoration of $5 million proposed to be cut and some 35 positions and restoration to the 1985 levels; that will be $10 million. No increase, but to maintain a solid substantial program.

Senator RUDMAN. You have a very sympathetic ear. I have been trying for the last three nights, and I am very competent with computers to get one of my two computers to access a mainframe, and I supposedly have all the protocols but I can't do it. I talked to the people who run it and they don't know how to do it. They won't talk to each other. It has a data base that I am really anxious to use.

Senator BUMPERS. I don't know what you are talking about. [Laughter.]

Senator RUDMAN. The important thing is that Dr. Drew knows what I am talking about, Senator, and I will——

Senator BUMPERS [interposing]. You have two computers in your home?

Senator RUDMAN. One here and one in New Hampshire. Don't all of us, actually?

Senator BUMPERS. I don't have but one radio let alone——[Laughter.]

Senator RUDMAN. You are right, Dr. Drew, there are data bases in the country. The protocols are all different. The codes are all different. The procedures are all different, and that is a terrible waste, particularly for a nonsecured data base that should be accessible to anybody.

I agree with you completely. It is very interesting that you should bring that up. I have been totally frustrated the last few nights.

Mr. DREW. Good. [Laughter.] It allows you to fill those 10 minutes between 11:55 and 12:55. Actually, I think they are tremendous productivity enhancers. I found it that way using a computer at home and the modem connections to external data bases a very powerful tool.

Senator RUDMAN. We will try to bring Senator Bumpers along.

Senator BUMPERS. My aide has a 16-year-old son who can use all those. I can't. [Laughter.]

Mr. DREW. I think you will find it a lot easier than you might imagine. There are user-friendly interfaces that are being put into the marketplace today, are making computer access really available to a wide variety—in fact, essentially everyone in society that can type. That right now tends to be a limitation.

The next level of technology, of course, is going to be a voice recognition technology, and then even without typing, you are going to be able to get access into these systems.

I have one other item.

Senator RUDMAN. Be very quick. Dr. Drew.

OFFICE OF PRODUCTIVITY, TECHNOLOGY AND INNOVATION

Mr. DREW. There is an office in the Department of Commerce, it is called productivity, technology and innovation. It is an office which is the vestige in the Department as what we would like to look on as a technological oversight. They are proposing to abolish this office. It has a major functional role, I believe, and again, it is probably one of the only places in Government which has this particular focus. They are proposing to abolish the office and save $700,000.

Senator RUDMAN. I was not aware of that.

Mr. DREW. It seems to me it is, No. 1, giving the absolute statement. This is an office that does not commit large amounts of Federal money. What it does is it acts as a catalyst for private sector investments which is, in fact, the administration's philosophy and a philosophy we are finding out has greater power in terms of building high tech development for the United States. I would encourage you to consider restoration of this very small amount of money. The important principle of this office and the positions that are involved is that it is one of the few places we who are interested in technology have to go.

NATIONAL ASSOCIATION OF PUBLIC TELEVISION STATIONS

STATEMENT OF PETER FANNON, PRESIDENT, NATIONAL ASSOCIATION OF PUBLIC TELEVISION STATIONS

CONTINUED FUNDING FOR PUBLIC TELEVISION

Senator RUDMAN. Mr. Fannon.

Mr. FANNON. Good morning, Mr. Chairman, Senator Bumpers. Thank you for the time. I am Peter Fannon, head of the National Association of Public Television Stations which represents the public TV stations around the country. We are here to ask for the maintenance and continued funding of the public telecommunications facilities program operated by the NTIA within the Commerce Department. This program is one which supports the equipping and upgrading of equipment of public television and radio stations around the country. It does not finance buildings or land or other real estate acquisitions; just the equipment of those facilities.

RECOMMENDATIONS FOR BUDGET

We ask that you oppose the President's recommended rescission in this current fiscal year 1985 when the President's budget suggests the rescission of $10 million of the $24 million currently appropriated. We ask that you support in 1984 continuation of the program where the President recommends zero.

We recommend in 1986 that you focus on the kinds of needs that we have got which I will outline briefly, and approve an appropriation of at least $24 million, the same as this year and perhaps as high as $35 million, which was the target established by the public broadcasting reauthorization bill at the end of last year.

This program helps us sustain a very valuable public service. It is a contribution from the Federal Government to ensure that public facilities are available throughout the Nation, and that the investment otherwise made by the public in general is available to everyone in the country.

PUBLIC TELEVISION

In the case of public television, there is still an unserved element. There is approximately 5 to 8 percent of television households that receive adequate or any public television signal, as my colleague from public radio, Mr. Bennet, will mention. There is a considerably large extent of the population that has no public radio access.

The primary purpose of the program is first to extend service and then to sustain the investments we have already made. For example, in the case of New Hampshire, they have a pending application this year for help with their current facilities and next year, they expect to seek help for something on the order of $800,000 which they would also seek to match to replace what in their particular circumstances is very old and very unreliable transmitters, which during the course of last year's fundraising went down, which is probably a blessing to some, but to us and knowing how difficult it is to bring those incremental dollars in, is a very devastating blow indeed.

TRANSMITTERS IN ARKANSAS

In the case of Arkansas, of course, they have also received help from this program in the past. They have pending with us over $900,000——

Senator **Bumpers** [interposing]. Is that for new transmitters?

Mr. **Fannon**. Yes; a series of things—transmission and connecting transmission.

I think the primary reason for continuance of the program, in addition to extending service to those currently unserved and maintain a good quality of service is the leverage value of these dollars. All together they are not only a stimulus but provide an incentive for the local community around which they can rally.

The facilities are good and the on-air look is good. We find public broadcasting services are appreciated. That is why we see in public television the cumulative audience which continues to grow while those in the commercial networks continue to fall. We not only find a greater appreciation of what we do, but we find we have a reasonable opportunity to get our signal out and garner private support for everything we do. I appreciate your interest in continuance of the program and encourage you to oppose the rescission.

PREPARED STATEMENT

Senator **Rudman**. Thank you, Mr. Fannon. Your prepared statement will be inserted in the record at this point.

[The statement follows:]

PREPARED STATEMENT OF PETER FANNON

PRESIDENT

NATIONAL ASSOCIATION OF PUBLIC TELEVISION STATIONS

Introduction: Mr. Chairman and Members of the Subcommittee, I am pleased to present testimony in support of a reinvigorated Public Telecommunications Facilities Program (PTFP), the matching grant program administered by the National Telecommunications and Information Administration (NTIA) within the Department of Commerce. I am Peter Fannon, President of the National Association of Public Television Stations, whose numbers include nearly 300 public television stations throughout the country. (Our testimony will focus on the needs of the public television system. We understand that our colleagues at National Public Radio will also be testifying, but together we agree on the overall funding targets proposed here.)

We ask the Committee to continue the PTFP program. We recommend that you deny the rescission proposed by the Administration for fiscal year 1985, and reject the Administration's proposal to cease funding the program. We urge, instead, that the Committee recommend at least $24 million for fiscal year 1986, the same amount as the current year - or as much as $35 million.

This PTFP program is not yet authorized for FY1986, but we are confident that there will be an adequate authorization passed by the Congress and signed by the President prior to your final action on this appropriation. Last year our initial request for PTFP funds was based on the expression of needs noted above. We testified for, and the Congress passed, authorization levels of $50 million for FY1985, $53 million for FY1986 and $56 million for FY1987. These figures represented not a 75% federal share of project costs, as has been the program's structure in the past, but 25% of the total estimated need. We felt this to be a reasonable compromise. However, when that authorization was vetoed, we supported compromise authorization levels of $25 million, FY1985, $35 million, FY1986 and $45 million, FY1987. That proposal, too, was passed by the Congress, but vetoed. We continue to believe that those levels are reasonable and responsible as authorizations for the coming years. And we urge that you appropriate no less than the $24 million already appropriated for

FY1985 so that at least some of the activities so desparately needed can go forward.

The Role of Federal Dollars in Securing Local Support: Every NTIA grant application is based on a local commitment of funds. Each grant is designed to fulfill specific local needs. However, all local public television leaders tell us the same story about the role of federal dollars. They say, "We have great local support, but there is a limit. This has always been true of major capital needs for non-profit organizations; but, in these difficult economic times, it is difficult to raise all the needed capital locally. The doors would be closed to us without the PTFP program." This is a particularly serious problem for the majority of our stations, which are affiliated with universities, local school boards and state governments. In most instances these stations are prohibited by state law from carrying funds forward from a given year for equipment needs in the future. In other words, they cannot develop a replacement fund amortized over the years as commercial stations do. All too often, they must wait for an actual breakdown of the equipment to secure state support and then seek the federal match to realize the full investment needed. Two-thirds of the public television stations all across the country are in precisely this situation.

Public Television Began in 1953; the Public Telecommunications Facilities Program in 1962: The first public television station went on the air in 1952; the same year that the Federal Communications Commission (FCC) reserved 242 television channels for educational use. At that time, the Ford Foundation began a decade of commitment to the development of a nationwide educational television system. Ten years later (1962), the federal government entered the partnership with enactment of the Educational Television Facilities Act.

Before this program began in 1962, there were only 75 fledgling public television stations, operating separately and scattered randomly throughout the country. Only about one quarter of the nation's people had access to public television. Since that time, Congress has appropriated a total of $234 million to achieve the goal of nationwide coverage by both public television and public radio. This federal funding has been matched by individual, business, and state and local government contributions.

We have followed this program closely over the years and can testify that it is the well-administered PTFP program which made the growth and development of a nationwide public television service possible. Today, the replacement value of the equipment of this public broadcasting system would be approximately $1.5 billion -- which does not include buildings and land. The preservation and effective utilization of this major investment must continue to depend in large part on PTFP.

The federal dollars in PTFP have been very high leverage dollars: the $240 million in federal funds have enabled much of the $1.5 billion in capital developed by public television stations over the years. That's $1 federal dollar for every $6 local dollars, not including the on-going local operations dollars, which would add even more to the federal leverage.

Public television stations nationwide provide thousands of hours annually of lessons to schools and college students, and thousands of hours annually of local information and cultural programs, in addition to the many outstanding childrens and adult programs, from SESAME STREET and MISTER ROGER'S NEIGHBORHOOD to NOVA, distributed nationally by the Public Broadcasting Service and the regional networks.

System Maintenance Is Vital: Television, just like a car or any other mechanical system, just stops running without its essential parts. Too many public television stations now are using old and worn out antennas, transmitters and studio equipment -- with increasing danger that students and viewers will grow frustrated with obvious signs of diminished quality. This vital equipment must be maintained and replaced or public television services will cease.

Our study shows the system is deteriorating dangerously. Capital replacement is not keeping up - not even close to what professional engineering recomnmendations are. Commercial television stations do not and would not operate with equipment as old and inadequate as to the majority of public television stations.

During the period of 1986 to 1988, we estimate that it will cost about $181 million per year to maintain the present system with up-to-date equipment; it will cost another $22 million to extend first service to those in America who cannot now receive a public television signal of any kind. The total needed for fiscal year 1988 is $203 million, according to our estimates.

This year (FY1985) the list of grant applications accepted by NTIA totals 407 separate requests for a total of $124 million in federal funds. These requests are already backed by a commitment of $32 million in local funds. The requests for federal funds don't include a single cent for land and buildings, which are funded 100 percent locally.

Some, including the authors of the Administration's budget request, have concluded that federal support is no longer necessary since a nationwide system is now nearly in place. But just the reverse is true. We must not only complete the system but, just as importantly, preserve the $1.5 billion investment we have already made.

Examples taken from this year's applications are especially relevant because, even with a $24 million appropriation, 80 percent of this year's applications will not be funded and are likely to be carried into next year as proposals for FY1986 funds.

Since the FY1985 appropriation is only $24 million, only one of every five of these applications will be funded, even without a rescission. We believe that this summary of need speaks very loudly to denial of any rescission.

The continued federal role is key: together with the local, private support it encourages, this investment in system facilities will improve public broadcasting's service, which, in turn, will support its drive for greater self sufficiency.

First Service Still a Priority for Federal Funding: We agree that highest priority is and must remain the extension of first service--both television and radio--to our citizens who contribute to public broadcasting as taxpayers but are denied its benefits.

As you know, Mr. Chairman, there are still large geographic areas which cannot receive a public television signal. Recently KNPB went on the air in Reno providing the residents of northern Nevada with local full-service public television for the first time. Response and community support has been overwhelming. After having been on the air less than one year, KNPB ranked 47th out of over 300 public television stations in attracting primetime audience.

KLVX/ Las Vegas, has submitted a facilities request of $347,015. They plan to replace their 17-year old transmitter, purchased with the help of an NTIA grant, which has been used by the station since its inception, and also to purchase a new translator. This new translator would enable KLVX to serve the Laughlin area, which is the last section of private land available for development on the Colorado River between Hoover Dam and the Mexican border. This area is currently unable to receive programming originating in Nevada. The population of Laughlin is projected to grow at a tremendous rate during the next five to eight years - both as a residential area and an industrial one. The Clark County School District, the licensee of KLVX, has determined that a new school facility is needed there immediately and that it should use instructional television. The new translator would enable the new school, as well as others which will be required in the area soon, to receive educational television programming efficiently as well as allowing the community to receive local Nevada programming. The new transmitter would provide a much better signal for Greater Las Vegas, which now has significant problems with picture quality. This modern transmitter would also have multichannel audio capabilities which would enable the station to broadcast simultaneously in English and Spanish, providing a valuable contribution to the Spanish-speaking residents of the area. The Clark County School District has already committed the necessary funding to provide the match needed.

Adequate Signals Vital-Especially for UHF: Another priority is to ensure that our citizens receive a clear signal--a picture they can watch and enjoy--rather than just snow and haze. According to a Harris poll conducted for the Federal Communications Commission, only half of the American homes receive a "good" or "excellent" signal from UHF stations. Since nearly two thirds of our public television stations operate in the UHF band--Channels 14-69--this is a particular problem for current viewers as well as potential supporters, both individuals and businesses. (It is also an expensive one. The FCC reports that is costs nearly four times as much to operate equivalent signals on UHF as on VHF!)

For many years, this seemed like a hopeless situation. Most UHF stations couldn't afford to buy the five million watt transmitter required for a clear UHF signal or, even if they could afford to buy it, they couldn't afford the power bill. But recent technological advances have made a big difference. Transmitters can be adapted for more efficient energy use. They have become more affordable to operate if the initial investment can be secured.

Severe Needs to Maintain Basic Station Equipment: Just to deliver a signal to the public, a television station needs basic equipment in reliable working condition--a satellite dish antenna to receive programming and a transmitter, tower, antenna and related equipment to transmit a signal to the surrounding viewing area.

Satellite interconnection is still fairly new and thus so is the satellite receive equipment. The special, 5-year effort to design and build it was financed by a combination of station, private, and CPB funds. Transmitters and antennas, however, are as old as television itself and many of them are sadly out of date. Public television's greatest growth period was between the years from 1960 to 1970, when two-thirds of the 308 stations now in operation came on the air. Of this total, only 40 transmitters have been replaced, leaving 247 transmitters and other equipment now over 15 years old. Over 50 transmitters are over 20 years old. Looking ahead, we should note that 207 station transmitters are over 10 years old and will need upgrading and replacement in the years ahead.

The general rule of thumb is that the useful life of a transmitter is about 15 years. Stations can continue to use it after that, but they are living on borrowed time. And that's what all too many of our stations are doing.

Without the facilities program much of what now comprises the public television system would not be in place. The program was the essential building block which brought public broadcasting to the state of **Alaska**. In some areas of the state, where there is neither telephone service nor commercial television, public television is the only source of information available. **South Carolina**, which has one of the finest public television systems in the nation, believes they would not have been able to achieve their goals without facilities grants.

WPSX-TV/Pennsylvania State University received a facilities grant in 1965 for a transmitter. That transmitter, along with its

20-year old antenna, must now be replaced, and the station has a proposal pending before PTFP to accomplish this. The grant would also enable them to replace their twelve-year old cameras.

In **Fairbanks, Alaska**, the transmitter is so old that spare parts for it are now totally unavailable.

Since 1965, facilities grants have enabled **Oregon Public Broadcasting** to grow in a remarkable way. These grants were matched by local funding in the amount of some 40 percent. One of the key elements in the Oregon public broadcasting system is **KOAC/Corvallis**, which serves more than half a million viewers in the Willamette Valley. Their transmission system, however, is nearly twenty years old. Relocation of the transmitter is being studied so that their current coverage can be expanded. KOAC has targeted replacement of this transmitter in their 5-year plan for 1987 at a cost of $796,000. A PTFP grant will be essential for this project in 1987.

KAET/Phoenix, in cooperation with PTFP, began a complete regeneration of its 25-year old basic facility components in 1982. This effort has resulted in the station being able to replace its outmoded 2-inch tape playback facilities with one-inch machines. Dependable and modern tape facilities are particularly important in Arizona because the state does not participate in daylight saving time, which requires very careful scheduling by the station to meet the needs of its audience -- 97.5 percent of the programs on the KAET daily schedule are originated on a tape-delay basis. KAET is now seeking funds to replace the two-inch videotape machines in its production complex with one-inch machines. The station is also proposing the acquisition of a half-inch cartridge videotape recorder. This system would not only provide superior technical capability, but it would also be very cost effective, cutting tape costs from $1.90 per minute to $.45, and lowering the high labor costs required by the present equipment. The station further proposes the replacement of its current 15-year old audio console with a new, high-quality model. The Regents/Arizona State University have pledged the matching funds for these improvements to demonstrate their commitment to the maintenance and improvement of KAET services.

Some licensees, such as **South Carolina**, only now must begin to replace outmoded equipment. Other stations, whose equipment was second hand to begin with, are in truly dire straits. **WVIA-TV in Pittston, Pennsylvania**, is in desparate need of new studio cameras; although they started broadcasting in 1966, they have never operated with new cameras.

WHYY/Wilmington, serving the Delaware valley and Philadelphia, has seen its technical operating budget rising because the technical staff must spend most of its effort to maintain an aging plant. It is using transmitters and antennas that are 13 to 14 years old. Some of their videotape equipment is twenty years old. A capital campaign of $1.2 million is presently in progress. Their 1985 NTIA application would provide funds that are an essential element of this plan.

Local Production ability is another area of significant cost. The average life of a studio camera is eight to eight and a half years.

In **Bethel, Alaska**, public television station **KYUK** is the only source of news in the area. They have applied to PTFP for funds to replace studio cameras which, because of their age, are producing a frequently unwatchable picture. In fact, their cameras are so unreliable that they must sometimes do local productions with a single camera. They have also applied for a grant to replace the old transmitter, which is now often inoperable.

Because of its unique geography, public television in **Hawaii** has unique technical problems, which they are seeking to remedy. They, too, have much outdated equipment which needs replacement. They are also planning to improve the signal to the Island of Hawaii (the Big Island), which now receives a very poor quality, fourth generation signal. This improvement is scheduled for 1986-87 and points up the continuing need for facilities in the public broadcasting system.

Connecticut Public Television has such old and outmoded equipment that it is no longer able to produce programs of high enough technical quality to be used on the national program schedule. They plan to initiate a capital campaign in the near future to modernize their facilities. Two of their videotape machines were purchased prior to 1967, three of their film projectors were manufactured prior to 1968, and five of the microwave relay links are more than 18 years old. For much of their equipment spare parts are no longer available. Without the continuation of the facilities program, their plan to replace this outmoded and undependable equipment will be in severe jeopardy.

WQED, Pittsburgh, is the third largest contributor to national programming on public television. They produce such fine programs as NATIONAL GEOGRAPHIC SPECIALS, KENNEDY CENTER TONIGHT and THE CHEMICAL PEOPLE. However, their equipment is so outmoded that in 1982 their production of MEDEA had to be done in Canada, costing both the station and the underwriter much more than if WQED had done it themselves. Spare parts for some of their cameras have not been available for the past six years.

In fiscal year 1985, PTFP awarded a facilities grant to solve a particularly unique problem in **Anchorage, Alaska**. A 21 story, mirrored glass building was built a block from the station, wiping out their signal to east Anchorage. They were given a grant to move their transmitter. In a marvelous cooperative effort, the public television station and two commercial television stations agreed to share an antenna tower outside the city, and split the cost accordingly. The new location will allow the station to serve for the first time a populous area on the Eagle River as well as improving the signal for Anchorage itself. The new tower also will decrease the hazards to air traffic in the city, a very important factor.

Conclusion: I have attempted to convince you and your Subcommittee that the maintenance of the public television system has reached a crisis point where it can simply no longer be ignored.

The bottom line? Public television stations try very hard to make equipment go as far as possible, but our non-profit enterprise finds: (1) capital formation is difficult: (2) the challenge of the PTFP's matching grants is very productive; and, (3) the need for continued federal support for system preservation and first-service extension remains crucial.

The extraordinary number of requests for 1985 funds indicates the correctness of the Committee's action in increasing the appropriation last year. We are grateful to the Committee for the increase.

We consider our studies correct in the future needs assessment. How much the Congress appropriates will be a policy decision based on how to allocate scarce dollars to competing demands. At whatever level funded, the dollars will be well-spent and serve over a long period and will bring with them many more local dollars.

We believe that the $35 million which the Congress approved as authorization for the PTFP for FY1986 is strongly needed. If it is authorized for this appropriation, we would recommend it urgently. At the very least we urge that the appropriation be no lower than the $24 million the Committee approved for this year.

Attachment

Costs of New Facilities and Equipment Replacements for PTFP
1985-1994

The attached is a summary profile of the conclusions of NAPTS' 1984 and 1985 studies of public television's facilities. The objective of these studies was to quantify public television's equipment and facilities costs of system expansion, replacement and improvement for the next ten years. (Complete tables and details are available and were entered into the Committee's record in 1984.)

To determine the yearly cost of replacement of public television's existing facilities, a composite useful life figure was computed for these facilities. Television equipment's useful life varies from fifteen (15) years for transmitters to seven (7) years for studio production gear, and the overall composite figure was determined to average about ten (10) years. The needs of larger stations differ considerably from smaller facilities. Based on the current value of the system, its yearly replacement cost was computed based upon a straight line replacement analysis over the ten-year composite useful life indexed at about five percent (5%).

NAPTS also projected system facilities start-ups and costs for the next ten years indexed at five percent (5%).

Based upon this methodology and analysis, the cost would be about $197 million for fiscal year 1986. Of this amount, about $172 million is attributable to replacement costs and the remaining $25 million to new facilities for expansion of service.

NAPTS
March 15, 1985

SUMMARY OF PROJECTIONS
REPLACEMENT COSTS & COSTS OF NEW FACILITIES
PUBLIC TELEVISION FIELD SYSTEM
1985 - 1994
(IN THOUSANDS OF CURRENT DOLLARS)

	FY85	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94
(1) COST OF NEW FACILITIES PROJECTED FOR FY85 - FY94	25,370	21,470	17,720	15,920	14,300	6,830	4,990	4,620	2,310	2,250
(2) REPLACEMENT COSTS FOR LINE (1) ABOVE	2,561	4,620	6,379	7,968	9,399	9,947	10,301	9,556	8,876	8,238
(3) REPLACEMENT COSTS FOR EXISTING SYSTEM @12/31/84	145,307	145,307	145,307	145,307	145,307	145,307	145,307	145,307	145,307	145,307
(4) SUB-TOTAL REPLACEMENT COSTS [Line (2) plus line (3)]	147,868	149,927	151,686	153,275	154,706	155,254	155,608	154,863	154,183	153,545
(5) TOTAL FACILITIES NEEDS IN CURRENT DOLLARS [Line (1) plus line (4)]	173,238	171,397	169,406	169,195	169,006	162,084	160,598	159,483	156,493	155,795

Source of system valuation: "[illegible] Engineering Committee Standards, Revised 1984"
(Equipment estimates based on April 1983 prices)

NAPTS
March 15, 1985

SUMMARY OF PROJECTIONS
REPLACEMENT COSTS & COSTS OF NEW FACILITIES
PUBLIC TELEVISION FIELD SYSTEM
1985 - 1994
(IN THOUSANDS OF CONSTANT DOLLARS)

	FY85	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94
(1) COST OF NEW FACILITIES PROJECTED FOR FY85 - FY94	27,811	24,688	21,354	20,107	18,927	9,492	7,281	7,079	3,716	3,801
(2) REPLACEMENT COSTS FOR LINE (1) ABOVE	2,807	5,313	7,687	10,064	12,441	13,824	15,031	14,642	14,280	13,916
(3) REPLACEMENT COSTS FOR EXISTING SYSTEM @12/31/84	159,286	167,089	175,109	183,523	192,328	201,948	212,032	222,639	233,770	245,453
(4) SUB-TOTAL REPLACEMENT COSTS [Line (2) plus line (3)]	162,093	172,402	182,796	193,587	204,769	215,772	227,063	237,281	248,050	259,369
(5) TOTAL FACILITIES NEEDS IN CONSTANT DOLLARS [Line (1) plus line (4)]	189,904	197,090	204,150	213,694	223,696	225,264	234,344	244,360	251,766	263,170

Sources: Economic factors - Congressional Budget Office, December 1984
System valuation - "PBS Engineering Committee Standards, Revised 1984"
(Equipment estimates based on April 1983 prices)
Constant dollars - 1983 index

NATIONAL PUBLIC RADIO

STATEMENT OF DOUGLAS J. BENNET, PRESIDENT, NATIONAL PUBLIC RADIO

SUPPORT OF FISCAL 1986 BUDGET

Senator RUDMAN. Mr. Bennet.

Mr. BENNET. I am very pleased, Mr. Chairman, to appear this morning. I am with the National Public Radio, which has 300 member stations around the country, but also the National Federation of Community Broadcasters.

Essentially, I will simply second what my colleague, Mr. Fannon, has said. It was an excellent statement of our needs and the rationale for this program.

RADIO BUDGET

From the radio perspective, we would urge that you not accept the rescission in 1985 and that you maintain $24 million in 1986. I think the rationale, the essential rationale given all the pressures you have got on you from other sources are two. One is the public telecommunications system in this country to which we made a substantial commitment, isn't finished, as Peter mentioned.

In the case of radio, 30 percent of the country can't receive a public radio signal at this point. That means funds are absolutely essential in permitting local community colleges and universities and sometimes city governments to put together a public radio station.

An extension of that is the need for replacement of aging equipment in other parts of the system. My prepared testimony details some of the specific cases in which that is important.

MULTIPLIER EFFECT OF FUNDS

The second argument which Peter mentioned but which I think is essential given the budget pressures facing us this year is the multiplier effect of these funds. There is a match in the first instance wherein the local entity puts up a certain amount of money and Federal contribution flows if it can be approved. I think it is important to understand how in the anatomy of these stations that Federal contribution, which is kind of a declaration of commitment, releases other funds and encourages universities and other licensees to continue to supply operating funds, and it creates the basis the power doesn't go off, as Peter was suggesting, going to the audience.

OVERALL ECONOMY OF PUBLIC BROADCASTING

The overall economy of public broadcasting at this point is more and more supported by audience contributions, and that is the future of support. I don't think we will ever reach the point, frankly, where the public broadcasting system can sustain itself without some kind of Federal contribution, particularly for capital facilities.

I would urge the committee to think about this in terms of the multiplier producers in the communities. Thank you very much for the opportunity.

PUBLIC RADIO IN FINANCIAL TROUBLE

Senator RUDMAN. One question. How many, if any, of the public radio stations in this country currently on the air are in serious financial trouble, to the point where they are in real jeopardy of going off the air for lack of operating capital?

Mr. BENNET. There are two patterns. Sometimes they just do go off the air. We have a couple at this point of our members which has been maybe one-third of the total number of public stations who appear to be facing that prospect.

Senator RUDMAN. Because they can't get the support?

Mr. BENNET. That is right. And the other pattern, which is really just as damaging, is that they shrink their activity. One of the fundamental purposes of public broadcasting is to maintain a local presence and a local competence to cover local affairs at a time because of satellites you are getting a nationalization of all your news media. If these stations don't have the sort of composite support we are talking about, it is very hard for a university facing the need for its new gymnasium floor, whatever else it is, to say, yes, we will go out and build ourselves a radio station, but once they have got it, you have got an asset that serves the whole community.

Senator RUDMAN. Senator Bumpers.

Senator BUMPERS. Permit me to indulge in a little partisan blast. The President says turn those television sets off and have those children do their homework. Well, the truth of the matter is he is trying to cut off the only television they ought to be watching, and that is public television. I agree with Luke Minton who, incidentally, was a classmate of mine, when he called television a vast wasteland. That is what it is to a great extent. Public broadcasting and national public radio are about the only things I ever turn on. That is not an elitest attitude. There is a lot of good stuff on commercial television; I am not suggesting that there is none. I am saying in our State we are now using our public broadcasting, our educational television channel in the most effective way by far than we have ever been able to use it, and we do need the money for that new transmitter. That thing is going to go out any day, and it costs about $1½ million that we don't have. You will not find a more ardent proponent of national public radio.

We just got a public radio station in Little Rock, KRE. It has a wide listening audience and is doing a magnificent job. When I was Governor, I fought hard to get the entire State covered. Now we have seven transmitters around the State. The entire State has been covered since we appropriated the money back in 1974 for it.

I am going to resist the rescission and all cuts in these programs. My support for public broadcasting is as strong as my commitment to student loans.

Senator RUDMAN. That is one of the mildest partisan blasts I ever heard. Thank you.

Panel III—NOAA Fisheries Programs

INTERNATIONAL ASSOCIATION OF FISH AND WILDLIFE AGENCIES

STATEMENT OF WESLEY F. HAYDEN, LEGISLATIVE COUNSEL, INTERNATIONAL ASSOCIATION OF FISH AND WILDLIFE AGENCIES

PREPARED STATEMENT

Senator RUDMAN. NOAA Fisheries programs. We have Wesley Hayden, legislative counsel, International Association of Fish and Wildlife Agencies; Jim McCallum, Atlantic States, Gulf States and Pacific Marine Fisheries Commissions; and Rudolph Rosen, fishery resource specialist, National Wildlife Federation.

Welcome, gentlemen.

Mr. HAYDEN. Thank you, Mr. Chairman. As you may know, the International Association of Fish and Wildlife Agencies represents all of the 50 State fish and game agencies in the country.

The statement I am going to present to you this morning, Mr. Chairman, represents the conclusions of our ad hoc Federal budget committee which met in Washington in February and we identified in the budget nine points of concern which will be outlined in this statement. To avoid repetition——

Senator RUDMAN [interposing]. We will put the entire statement in the record.

[The statement follows:]

STATEMENT OF WES HAYDEN

Mr. Chairman, the International Association of Fish and Wildlife Agencies welcomes this opportunity to participate in your subcommittee's examination of the National Marine Fisheries Service budget for Fiscal 1986.

As an organization committed to balanced fisheries resource conservation, management and development, we have a manifest interest in the programs being operated under NMFS jurisdiction and direction, particularly those with a high potential for effective state-federal coordination and cooperation, and with significance for our members in the 50 state fish and wildlife agencies. We are for that reason deeply concerned by the devastating impact which the massive spending cuts being mandated for the agency in the budget for the coming year would have on these programs.

But our apprehension goes even beyond that immediate effect. It also reflects our serious misgivings about the future outlook for the agency itself.

The 44 percent reduction being proposed for NMFS in the budget before you today seems to us to be nothing short of a blue-print for disaster for the agency's primary fisheries resources stewardship mission unless substantially reversed.

And that mission, I would stress, is one which we feel very strongly is much too important to permit its destruction.

In that context it is important to note that this nation harvests one-fifth of the world's marine fisheries, produces one-fourth of its seafood, and annually exports marine fisheries products valued at about $1.1 billion.

Those activities relate directly to areas of NMFS responsibility which extend to protection and harvest of fishery resources from 3 to 200 miles off U.S. shores.

Any policy which jeopardizes effective exercise of those management responsibilities seems to us to be short-sighted and counter-productive. What we find especially disturbing in that regard is the fact that most of the cuts being proposed in Fiscal 1986 spending for NMFS are in the same areas, and in the same or greater amounts than those sought under the three prior years' budgets but restored to a substantial degree by Congress. We can only conclude that the Administration and Capitol Hill have differing sets of priorities where the NMFS mission is concerned.

There remains a serious question, however, of what the ultimate effect on the agency will be if the same battle has to be fought year after year to insure continued existence of NMFS in a viable form. In light of that we suggest not only that the reductions now proposed be reversed but that some thought be given to finding ways of eliminating that specter of uncertainty as it impacts both on NMFS and on those dependent on the continuity and stability of its programs.

Meanwhile, this statement will summarize the Association's position on necessary restorations for the coming year as determined by its Ad Hoc Federal Budget Committee.

The following selected items are of special concern to the states comprising the IAFWA (not presented in any priority sequence):

1. Restoration of *Commercial Fisheries and Development Act (P.L. 88–309)* funding grants-to-states to the 1982 level of $5 million. Most state projects conducted under this title support interjurisdictional fisheries management planning through Regional Councils and/or interstate management plans and the collection of essential commercial fisheries statistics.

2. Restoration of *Anadromous Fish Conservation Act (P.L. 89–304)* funding grants-to-states at the 1985 level of $3 million for (Sec. 4) and $0.5 million for (Sec. 7) the Emergency Striped Bass Study. Level funding of Anadromous Fish Grants is essential to continued monitoring and research on extremely valuable, salmonid, striped bass, shad, and other river herring fisheries for which interjurisdictional conservation and management are basic to resource enhancement. Continued funding of the Emergency Striped Bass Program on the Atlantic Coast is vital to the completion of work underway to reverse the precipitous decline of this valuable commercial and sport fishery.

3. *Fishery Laboratories*—The Administration proposed closure of many important NMFS research facilities (Gloucester, MA; Oxford, MD; Bay St. Louis, MS; Galveston, TX; and Tiburon, LA) and serious reductions that would leave only a shell of activity at 11 other research facilities in WA, AK, CT, NJ, NC, and OR. In the area of product quality and safety research alone, the proposed reduction is nearly 3 times as great this year as last year (83 positions and $4.555 million). This would effectively eliminate a nationwide contribution to public health and industry expansion. Other major reductions in research programs would essentially dismantle the U.S. marine research capability which is among the best in the world. A large majority of the 345 positions being reduced in the NMFS fiscal 1986 budget request is composed of fisheries scientists, marine biologists and technicians. This applies to approximately 235 of the 345 positions being eliminated. They constitute the backbone of U.S. marine research.

4. Funding for operations and/or programmatic expenditures of the *Regional Fishery Management Councils* should be restored to the FY 1983 level of $7.5 million (an increase of $4.3 million over the Administration budget proposals). Any cut in funding immediately impacts cooperative Federal-State programs of fishery monitoring, data collection, and related research. If significant cuts are made, the Councils are reduced to a caretaker function rather than having the dynamic planning and operational functions envisioned by the Congress in the Fishery Conservation and Management Act.

5. Congress repeatedly has directed that *Saltonstall-Kennedy funds* be disbursed on a 60–40 ratio for support of industry-generated fishery development efforts. We strongly support this intent and the need to center major fishery development programs in the private sector. We therefore oppose Administration attempts to divert the entire S-K fund for internal uses.

6. *Resource information, information analyses and dissemination, economics and statistics programs*—The NMFS ability to perform its necessary research and management functions, and to disseminate relevant information to both public and private sectors, must be maintained if the multiple responsibilities mandated by the Congress are to be carried out effectively. The Fishery Conservation and Management Act, Coastal Zone Management Act, Endangered Species Act, Marine Mammal Protection Act, and other legislation have all mandated ongoing research and management responsibilities to NMFS and NOAA.

7. *The Marine Recreational Fisheries Statistics* program, for which the Administration has proposed a crippling reduction, should also be maintained. This program is currently the only effective mechanism of assessing marine recreational fishing, and will provide data essential for good management.

8. NMFS *habitat-related activities* should be restored to the FY 85 level of $14.8 for research and $5.5 million for conservation because maintenance of productive habitat is absolutely essential to species dependent on those habitats. Habitat research (Sandy Hook and Oxford), environmental management activities (Sandy Hook), and habitat conservation (environmental impact analyses, associated mitigation work, level of cooperation with Corps of Engineers and other agencies in all areas) should be a high priority for restoration, particularly in view of the recently adopted (and widely supported) NMFS Habitat Policy which proposes expanded initiatives and responsibilities in this area for the agency.

9. We strongly oppose the move to seek transfer of the Columbia River hatchery program to the Bonneville Power Administration on the grounds that this could involve some significant control of hatchery operations by the power generating agency and would place an added cost burden on rate payers.

There are other aspects of the NMFS spending proposals about which we have serious misgivings, but the foregoing items are of the greatest significance to our members. We appreciate the opportunity to share our concerns about them with you and your colleagues, Mr. Chairman, and we hope you will be able to give them full and favorable consideration in acting on the legislation to which they are addressed.

REDUCTION IN NMFS BUDGET

Mr. HAYDEN. To avoid repetition, I wanted to point out that we will divide those points up between the three panel members simply because of the fact that the comments I will make will represent the views of their organizations as well as my own.

Senator RUDMAN. That is remarkable. We can't get three people around here to agree on anything. [Laughter.] So that is very good.

Mr. HAYDEN. I believe they will concur in that. I would point out by way of introduction a matter of general concern to us. We regard the 44-percent reduction in NMFS budget as nothing but a blueprint for disaster unless it is substantially reversed. What particularly concerns us is that these cuts are the same that were proposed for the past 3 years, in some instances even greater, and the damage would have been already more severe if Congress had not restored those cuts in past years.

It leads us to wonder as to whether the administration and Commerce are operating on an entirely different set of priorities as far as the NMFS budget is concerned. We hope you will see fit to restore again and maybe this time the administration might get the message on this important mission.

The items I would address particularly are a matter of fisheries laboratories. The administration proposed closure of a number of important NMFS research facilities—Gloucester, MA; Oxford, MD; Bay St. Louis, MS; Galveston, TX; and Tiburon, CA—and serious reductions at 11 other research facilities in Washington, Connecticut, New Jersey, North Carolina, Oregon, and Alaska. They propose a cut of 83 positions and $4.5 million which would be very damaging.

There is a question of the proposed cut in the Regional Fishery Management Councils. They propose to cut $4.3 million. We ask that that be restored because such a cut would simply reduce the council's caretaker status with no real opportunity for effective operation.

Resource information and analysis is also subject to cuts of a serious nature, and it would impair NMFS capability in those areas.

I would point out the fact that the Fishery Conservation Management Act, Coastal Zone Management, Endangererd Species Act, Marine Mammal Protection Act and other legislation, all mandate ongoing research and management responsibilities for NMFS and NOAA.

My time is up. Thank you very much for this time.

ATLANTIC STATES, GULF STATES, AND PACIFIC MARINE FISHERIES COMMISSIONS

STATEMENT OF JIM McCALLUM, ATLANTIC STATES, GULF STATES, AND PACIFIC MARINE FISHERIES COMMISSIONS

PREPARED STATEMENT

Senator RUDMAN. You may proceed. Please identify yourself.

Mr. McCALLUM. I am Jim McCallum. I am speaking today for the Atlantic States, Gulf States, and Pacific Marine Fisheries Commissions which represent 24 coastal States. I request our written testimony be made a part of the record.

Senator RUDMAN. It will be.

[The statement follows:]

ATLANTIC STATES, GULF STATES AND PACIFIC MARINE FISHERIES COMMISSIONS

PREPARED STATEMENT PRESENTED BY JIM MCCALLUM

The Atlantic States, Gulf States and Pacific Marine Fisheries Commissions representing all 24 coastal States strenuously object to the President's proposed budget for the National Marine Fisheries Service in fiscal year 1986. The President's budget represents a decrease of nearly 50% over funds currently available in 1985. This is worse than the budgets submitted to Congress over the last four years, and certainly cannot be considered a freeze on spending which was supposed to be the thrust of the Administration's proposal. We can only assume that the President does not understand the importance of these programs and the government's responsibility to manage fishery resources.

The State and Federal marine waters of the United States contain approximately 15-20% of the world's fishery resources. The commercial and recreational marine fisheries of the United States are worth approximately $15 billion a year and provide some 600,000 jobs. This level of economic activity can be sustained and even improved if these renewable natural resources are managed on a continuing basis. Furthermore, the fishery resources of this country are common property resources, owned by the citizens, and therefore the State and Federal governments have a responsibility to manage them. The Federal mandate for fishery management is well described in the Magnuson Fishery Conservation and Management Act of 1976. The Federal Government cannot ignore this responsibility by emasculating fishery programs, or by transferring all of the responsibility and financial burdens to the States. The management of these resources truly is a joint Federal-State responsibility.

The highest priority use of NMFS funds is for management of interjurisdictional fisheries. Management is defined as plan development and modification, regulation promulgation and enforcement, fishery monitoring, data collection and analysis, research and habitat protection. Research in support of management is a key activity and responsibility of NMFS. We must have adequate information on which to base management decisions. The users have been critical of the data bases used by the regional fishery management councils, and in some cases these criticisms have been justified. We need to expand research programs, not reduce or eliminate them. The lack of knowledge of fishery resource dynamics and of the impact of regulations results in imprecise management. The risks are overfishing or over-regulation, with loss of benefits and unhappy resource users in both cases.

Our list of priorities for NMFS spending is attached along with a description and rationale for highest priority programs.

Thank you for your continued support of important national fishery programs.

Sincerely,

D. Six

Lawrence D. Six, Executive Director
Pacific Marine Fisheries Commission

Larry B. Simpson

Larry B. Simpson, Executive Director
Gulf States Marine Fisheries Commission

M. Alperin

Irwin M. Alperin, Executive Director
Atlantic States Marine Fisheries Commission

PRIORITY LISTING OF NMFS PROGRAMS (dollars in thousands)

I. Cooperative State-Federal Programs for Research and Management (see attached descriptions of these programs)

Commercial Fisheries Research and Development Act (P.L. 88-309)	Sec. 4a	$5,000
	Sec. 4b	2,500
Anadromous Fish Conservation Act (P.L. 89-304)	Sec. 4	3,000
	Sec. 7	500
Regional Fishery Management Councils		7,200
West Coast Fishery Information		750
Alaska Groundfish Data Collection		400
Southeast Area Monitoring and Assessment Program (SEAMAP)		2,200
Atlantic Coast Interstate Fishery Management Program		250
Gulf of Mexico Marine Fisheries Initiative		8,000

II. NMFS Programs for Research and Management (freeze at 1985 levels)

Information Collection and Analysis

Conservation and Management Operations (in addition to Regional Councils under Item I above)

Foreign Fishing Observer Program

III. Other NMFS Programs

Commercial Fisheries Research and Development Act ($5.0 million)

Anadromous Fish Conservation Act ($3.5 million)

These grant-in-aid programs of the National Marine Fisheries Service are absolutely critical to the States, the Regional Councils and the Secretary of Commerce. These funds supplement already substantial State investments in data collection and research programs that are essential to federal management pursuant to the Magnuson Fishery Conservation and Management Act. Without these funds, the data bases used by the Councils would be significantly more limited than they are now, and many users complain that data are inadequate to make critical decisions affecting their livelihoods. These grants also support programs for management and research of interjurisdictional fisheries not managed by the Federal government, but which are clearly of significant benefit to the regions and the Nation.

It is important to note that the States are contributing substantial amounts of money to these important regional programs. For example, the West Coast States are funding over 50% of the salmon and groundfish domestic fishery data collection programs. These are fisheries under Federal management.

These grant funds provide a significant and necessary supplement to these State investments. The Federal government has an obligation to continue these investments to assure continued productivity of our nation's fisheries.

Again, we must seek Congressional support to counter the Administration's proposed termination of these programs. They are being terminated despite the fact that these fisheries provide significant benefits to the Nation and despite the fact that many of them are being managed by the Federal government.

Regional Fishery Management Councils ($7.2 million)

The eight regional councils are charged with managing all of the Nation's important marine fisheries in the 3-200 mile zone. This includes developing or implementing approximately 40 fishery management plans and numerous amendments to plans. Once plans are developed, the Councils' job is not finished; that is when the management process really begins. Councils must continually monitor landings and stock abundance, adjust regulatory measures, adjust estimates of domestic capacity and surplus for foreign fishing, and revise estimates of optimum yield. These are ongoing functions. Fisheries and the resources they depend on are extremely dynamic, and councils must be equally dynamic to ensure that we achieve optimum yield and prevent overfishing.

The recommended amount of $7.2 million is barely enough to keep this national effort operating. The Administration's proposal to cut this level to $3.3 million will essentially eviscerate the national management system enacted by Congress.

West Coast Fishery Information ($750,000)

The Pacific Coast State fishery agencies collect all domestic fishery data required for State and Federal management of marine and anadromous fisheries. The States rely on several sources of funds to provide the needed data to the Regional Councils, including State funds, Federal grants, Council programmatic funds and direct NMFS assistance. While the States continue to provide the largest share of the funds for these programs, even though the data are required for Federal management, the grant programs (P.L. 88-309, P.L. 89-304) and other assistance from NMFS must continue if we are to meet basic regional fishery management needs.

Council programmatic funds will not be available in FY 1986 for use by the States of Washington, Oregon and California, and other forms of NMFS assistance are neither mandated nor stable. If grant programs are level-funded in FY86, the West Coast States will require an additional $750,000 to meet basic fishery data collection, analysis and reporting needs mandated by the Pacific Fishery Management Council plans for salmon and groundfish. These funds are currently used for the following projects:

Ocean salmon stock distribution	$150,000
Groundfish fishery data collection	250,000
Salmon and groundfish data processing	250,000
Pacific Fishery Information Network (PacFIN)	100,000
TOTAL	$750,000

If the grant programs are reduced or terminated, then significant amounts of revenue in addition to the $750,000 will be required to continue salmon and groundfish management on the West Coast.

Alaska Groundfish Data Collection ($400,000)

As foreign fishing is phased out in the Gulf of Alaska and Bering Sea, domestic landings will increase thereby requiring sufficient domestic fishery data collection systems to adequately manage this fishery. The Alaska Department of Fish and Game and the North Pacific Fishery Management Council estimate that $400,000 will be needed in FY 1986 to support State data collection efforts. These activities include a domestic observer program, port sampling, logbook data collection and analysis, in-season monitoring of landings and data processing. These basic programs are necessary to collect information on catch, area of catch, catch per unit effort, biological data, incidental species and prohibited species catch. They provide the minimum fishery data necessary for adequate groundfish management by the North Pacific Fishery Management Council and the Secretary of Commerce.

SEAMAP--Southeastern Area Monitoring and Assessment Program ($2.22 million)

The Southeastern Area Monitoring and Assessment Program (SEAMAP) is a State, university and Federal program for collection, management and dissemination of fishery-independent data and information in the Southeast Region of the United States. It is not a research program. Its purpose, through cooperative planning, cooperative surveys and cooperative data management, is to make essential fisheries and environmental data available to fishery managers and researchers for the best possible cost. SEAMAP takes advantage of the numerous sampling platforms and scientific and technical capabilities existent in the Southeast. The program has been highly successful resulting in more than a 400 percent increase in available data compared to periods prior to SEAMAP. These data have and are being used to evaluate a major Federal fishery management option in the Gulf known as the Texas Closure and have been invaluable in guiding state management decisions primarily related to the opening and closing of shrimp areas. Additionally, the data have been used to help answer questions on such species as squid and king mackerel.

We recommend funding at $2.22 million ($1.54 million--Gulf of Mexico, $.38 million--South Atlantic, $.30 million--Caribbean).

ATLANTIC COAST INTERSTATE FISHERIES MANAGEMENT PROGRAM

Since 1980 the Atlantic States Marine Fisheries Commission has administered, on behalf of its fifteen member states, the ASMFC Interstate Fisheries Management Program (ISFMP). This program is an outgrowth and continuation of the NMFS State/Federal Fisheries Management Program with which the Commission has been associated since its inception in 1971-72. The goal of the ISFMP is to achieve cooperative interstate management of shared territorial sea fisheries of the Atlantic Coast.

Under the aegis of the ISFMP and its S/F predecessor, the Commission has administered, developed and adopted interjurisdictional species management plans for American (Northern) Lobster, Northern Shrimp, Striped Bass, Atlantic Menhaden, Summer Flounder (Fluke), Spotted Seatrout and Red Drum. It is in the final stages process of preparing management plans for Weakfish (Grey Trout), American Shad, Hickory Shad, Blueback Herring and Alewife (Herring). It has started management planning for Atlantic Croaker and Spot. As funding becomes available, it will write a management plan for Bluefish, update and rewrite its management plan for Striped Bass, and extend the interjurisdictional management priorities to include Black Drum, American Eel and Atlantic Sturgeon. In support of the development of interagency fishery management plans, the ISFMP administers and coordinates a cooperative state/federal statistics program for the entire Atlantic Coast, the SEAMAP South Atlantic cooperative program for the collection of fisheries independent data, and a Shellfish (InterState) Transport program to prevent the introduction of parasites and diseases that may impact the resources and the public health.

ASMFC has undertaken five general category Tasks to meet the ISFMP Goal.

1. to determine priorities among the territorial sea fisheries for inclusion in the ASMFC Interstate Fisheries Management Program
2. to develop, monitor, and review management plans for high-priority territorial sea fisheries
3. to recommend to the States, and where appropriate, to the Regional Fishery Management Councils and the Federal government management measures to benefit territorial sea fisheries
4. to provide means of conducting short-term research essential to preparation or revision of a management plan
5. to provide efficient, timely administration of the ASMFC Interstate Fisheries Management Program

The program is currently conducted through more than 25 species boards and technical/scientific committees composed of administrators, fisheries scientists, managers, and (industry) advisors. The combined membership of these working teams is about 150 state employees, and a score of representatives from the Federal fisheries agencies; NMFS and USFWS. Funding for the program has come from the National Marine Fisheries Service peaking at $328,000 in 1981 but level funded at $100,000 per annum every year since 1982. Since these are not line item monies, the source of funds is unstable and increasingly scarce. This large and comprehensive program needs a source of more secure funding and will, at current funding levels, terminate or be severely curtailed in September, 1985.

These funds are currently needed to sustain the ISFMP on an annual basis:

ASMFC Administrative Costs (including Personnel and Travel)	$ 75,000
Travel and Meeting Expenses for ISFMP Committees and Boards	85,000
Programmatic (Short-term Research and Contractual Services)	90,000
TOTAL	$250,000

These funds would enable continuation of management planning, management plan development, publication, and amendment, resource monitoring, data collection and analysis for 15-18 high priority interjurisdictional fisheries.

Marine Fisheries Initiative (MARFIN) ($8 million)

This new initiative proposes an expanded investment in Gulf fisheries work of approximately $8 million annually for five years to take full advantage of our resources. This new project is designed to increase the economic contribution of underutilized and unutilized species, developing more valuable products from existing fisheries, developing export markets, forecasting variation in yields, and conserving and maintaining presently exploited resources. The Gulf of Mexico is the largest producer of domestic fishery landings in the United States. These landings add over $5.6 billion annually to the economy and provide over 30,000 jobs. This additional investment in fisheries research (research in the broadest sense) could increase the fisheries from their current $0.6 billion annual ex-vessel value to $1.3 billion.

We recommend a new money addition to the FY 1986 NMFS budget of approximately $8 million annually for the next five years to carry out this project.

SUMMARY OF GRANTS PROGRAM

Mr. McCallum. We prevail on you today to appropriate funds for the National Marine Fisheries Service at fiscal year 1985 levels. If program cuts are necessary, highest priority should be accorded to NMFS programs for research and management of the Nation's fishery resources; in particular, the cooperative cost-sharing State/Federal programs for research and management. These programs include the commercial and anadromous fishery grant programs, the Regional Fishery Management Councils and others.

I would like to summarize the grant programs. The Public Law 89–304 Anadromous Fish Conservation Act, section 4, provides matching funds to conserve, develop, and enhance our Nation's anadromous fishery resources such as salmon, striped bass, shad, and herring. These fisheries contribute heavily to commercial and recreational activity in 30 States and the Federal fishery conservation zone.

Section 7 of the act provides funding to study the calamitous decline of valuable striped bass stocks. This study should continue for an additional year at a level of $500,000. In total, we request level funding at $3.5 million.

PUBLIC LAW 88-309 PROGRAM

The Public Law 88–309 program, which is a commercial fisheries research and development program, or a substitute program under proposed House legislation serves to stimulate the development of U.S. commercial fishery resources by providing matching grants to the States to conduct research and management projects. These projects, in large part, address regional and Federal needs. We request level funding at $5 million for section 4(a) of this program $2.5 million for section 4(b) and $350,000 for a proposed section (c) support to management of interjurisdictional species.

MANAGEMENT OF NATION'S FISHERIES

The Regional Fishery Management Councils, established by the Magnuson Fishery Conservation and Management Act, are responsible for managing the Nation's fisheries in the Federal 3- to 200-mile fishery conservation zone. Every coastal State is a voting member of these councils and places a high value on the councils as the forum for communicating State interests and cooperating in interjurisdictional fishery management decisions. The councils should be level funded at their current $7.2 million level.

STATE GRANT PROGRAMS

Mr. Chairman, the administration will argue that the State grant programs should be terminated because the objectives have been met and because the States are the only beneficiaries. These are fallacious arguments for the following reasons:

First, these are ongoing programs for the collection of fishery statistics and other information that is the starting point for the continuing management of fisheries and for decisions that affect the livelihood of thousands of people.

Second, the States themselves invest in these programs. They are cooperative cost-sharing programs to which the States contribute a large proportion of matching funds and most of the manpower.

Third, the States are not the only beneficiaries. These fisheries provide benefits to the entire coast and to the Nation in the form of food and vital economic activity upon which many coastal communities depend.

Fourth, the State grant programs serve fisheries that are under the Federal management plans and regulation, so the programs meet Federal objectives and at a lower cost than if the Federal Government itself had to carry them out without State participation.

In summary, the U.S. waters contain 15 to 20 percent of the Nation's fishery resources with commercial and recreational fisheries valued at over $15 billion a year providing some 600,000 jobs. This level of activity can be sustained and improved if these resources are managed on a continuing basis.

The common property resources owned by the citizens, the Federal and State governments have a responsibility to manage them well. The Federal Government cannot ignore this responsibility by eliminating fishery programs or by transferring all of the responsibility and financial burdens to the States. The management of these resources truly is a joint Federal/State responsibility. The States want to continue to do their part, but that simply wouldn't be possible if the Federal Government does not fulfill its responsibilities as well. Thank you for this opportunity.

NATIONAL WILDLIFE FEDERATION

STATEMENT OF RUDOLPH A. ROSEN, FISHERY RESOURCE SPECIALIST, NATIONAL WILDLIFE FEDERATION

HABITAT RESEARCH AND CONSERVATION PROGRAM

Mr. ROSEN. I am Rudolph Rosen, a fishery specialist for the 4.5 million member National Wildlife Federation. Our concern is the proposed 44-percent cut in the budget. We believe the cut would jeopardize the continued existence of the agency itself. Our written comments echo the comments of the other panelists today.

Specifically, I want to discuss the habitat research and habitat conservation program. Habitat research is a program that directly affects the agency's ability to maintain increased production of fisheries. The near and offshore fisheries depend directly and indirectly on quality and quantity of habitat. If we continue to lose habitat, we continue to lose a wide variety of fisheries, such as happened for American shad and stripped bass in the Chesapeake Bay.

In spite of past losses of fisheries, directly attributable in part to habitat degradation, the administration proposes to cut in half both funding and personnel in the Habitat Research Program. These decreases, if allowed, would virtually eliminate the program. Major projects in the northeast, for example, at the Sandy Hook, NJ, laboratory on near-shore ecosystems and environmental research in Long Island, would be jeopardized.

INTERNAL POLICY PLANNING

The administration's cuts would also harm internal policy planning. The agency recently issued a habitat conservation policy which encourages greater attention to fisheries, their habitat needs and fishery management plant. The policy also emphasizes a habitat research and conservation are high priorities for the agency. Continued success of the Nation's $2.4 billion commercial and $7.5 billion recreational fisheries as well as the public's confidence in the quality of fishery products depends upon the valuable research conducted under this program, thus, we are recommending that $5.31 million be restored to the Habitat Research Program. This is base-level funding.

HABITAT CONSERVATION

The habitat conservation programs funding would be reduced by about 42 percent. Habitat conservation is the agency's program that provides environmental assessments and impact analysis required by Congress through various legislation. No other NMFS program has more potential to maintain or enhance our Nation's fisheries because of the habitat conservation activities are directly responsible for maintenance or loss of fisheries habitat and habitat is the ultimate bottom line for our Nation's commercial and recreational fishing industries. Cuts to the program would make it virtually impossible to implement the newly adopted habitat conservation policy.

We believe present activities already are stretched too thinly to effectively implement habitat conservation requirements. For example, in the Southeast, only 13 biologists are responsible for providing comments on over 6,000 permit applications from developers proposing various projects each year. The Habitat Conservation Program was responsible for conserving nearly 17,000 acres of coastal habitat in the Southeast during a recent year. Habitat so maintained was worth an estimated $33 million annually to the commercial and recreational fishery.

We recommend restoring $2.27 million to the Habitat Conservation Program. Thank you, Mr. Chairman.

[The statement of Rudolph Rosen follows:]

PREPARED STATEMENT OF RUDOLPH A. ROSEN, PH.D.
FISHERY RESOURCE SPECIALIST
NATIONAL WILDLIFE FEDERATION

Mr. Chairman, my name is Rudolph Rosen, and I am a fisheries specialist for the National Wildlife Federation (NWF). Thank you for the opportunity to express the NWF's extreme concern over the Fiscal Year 1986 (FY 86) budget of the National Marine Fisheries Service (NMFS), of the National Oceanic and Atmospheric Administration (NOAA).

The NWF is the nation's largest not-for-profit conservation-education organization with over 4.5 million members and supporters throughout the U. S. and in 51 affiliated state- and territory-wide organizations. Angler and commercial fishing groups are included among our list of affiliated organizations. The NWF consistently has expressed concern over funding important marine and anadromous fisheries programs and staunchly has supported the scientific management of fishery resources within our 200-mile fishery conservation zone.

The NWF protests in the strongest terms possible the Administration's intent to slash 45% from the NMFS budget for Operations, Research, and Facilities. Our deepest concern is over the continued integrity of the agency. The NMFS could not sustain the cuts proposed without drastically altering its mission. The Administration's proposal disregards the intent of Congress in assigning the agency responsibility for administering programs required by federal legislation, circumvents the agency's own internal policy and planning, and abandons the basic trust provided the agency by the American people to oversee our fishery resources.

In the past 3 years, NWF has come before Congress to protest severe budget cuts proposed for the NMFS. We asked you to provide funding at levels above those proposed by the

Administration in nearly every NMFS program. This year, again, we come before you with the same request. The same proposed cuts you refused to agree with for the FY 85 budget are now "rolled over" in the request by the Administration for FY 86. Where you provided added money for FY 85 for critical needs, the Administration has taken even deeper cuts.

We hope you will again see the value of these important fishery programs and provide continuation of the agency's base level funding. But, as has been true for many years, inflation has continued to erode the "value" of money funding all programs.

Our specific requests for NMFS funding are summarized on the last two pages of these comments. Our justifications for requesting funding levels above those recommended by the Administration are detailed below.

I. INFORMATION COLLECTION AND ANALYSIS

A. Resource Information

In general, the Administration justifies a portion of the decrease in Resource Information programs on establishment of NOAA's Fisheries-Oceanography Coordinated Investigations initiative (FOCI). Certainly, FOCI will provide valuable information in the future if successful. However, this new effort will only examine factors controlling Alaska walleye pollock. Although FOCI's ultimate goal of providing more accurate forecasts of marine fish stocks is one we support, the limited scope and early stage of development of the program make it impossible for FOCI to replace ongoing NMFS resource information activities. Specifically, cuts to NMFS programs, proposed to "offset" the $3 million cost of FOCI, would be made in research on sea turtles, marine mammals, and endangered species. Such research will not be replaced by FOCI regardless of the ultimate success of the program.

In addition, we actually may be "paying" more than double for FOCI. Cuts to the NMFS budget total $1.5 million. An additional $3 million was "redirected" to FOCI from "lower priority" NOAA Atmospheric and Hydrological research and the budget for "Ocean and Great Lakes Prediction Research" was cut $3.8 million by eliminating the Great Lakes Environmental Research Laboratory. Thus, a total of $8.3 million was cut from current programs to establish the $3 million FOCI program.

1. Resource Surveys

a. *Resource survey activities* -- Budget reductions in the Resource Survey Program are recommended by the Administration in spite of increased need for information on which to base fishery management planning. For example, in the Northwest, salmon managers now are required to have more detailed information to account for harvest of wild stocks of salmon in developing Fishery Management Plans as mandated by recent amendments (P.L. 97-453) to the Fishery Conservation and Management Act (FCMA).

In addition to funding and personnel losses in the survey program, eight NOAA vessels dedicated to fisheries research and stock assessment would be deactivated.

Eliminating the agency's fishery research ship capability ignores the consequences of having to rely on the availability and condition of privately-owned vessels to collect crucial biological data on fish, plankton, and benthos, and monitor physical and chemical conditions. The Administration's proposal is being made without any knowledge about the availability of private vessels, the reliability of the information which would be gathered, and the cost to taxpayers. Contracting the use of commercial fishing vessels to conduct survey work disregards the need to continue standardized surveys and the special shipboard requirements for scientific research that make NOAA's vessels *research platforms* rather than just fishing boats.

b. SEAMAP -- The SEAMAP is an important survey program vital to supplying information needed by state and federal agencies to manage fisheries effectively.

The NWF recommends restoring $2.0 million to the Fishery Resource Survey Program. We also urge continued maintenance and use of the NOAA research fleet.

2. Fisheries Biology

a. Marine recreational fisheries -- The proposed budget would eliminate the Marine Recreational Fisheries Program and close the Tiberon, California, Laboratory. Other than funding for the Marine Recreational Fishing Survey (which also would be cut by the Administration's proposal), direct programmatic monies in the NMFS budget cannot be identified as benefiting anglers directly. Paradoxically there are many more recreational fishermen than commercial fishermen and the economic benefits that result from marine recreational fishing are greater than those from commercial fishing.

Directing monies toward research and other activities of specific benefit to the angler is a high priority. The NWF strongly recommends that Congress direct the NMFS to identify and fund projects of direct value to anglers.

We ask that Congress restore the Administration's proposed $918,000 cut from the Marine Recreational Fisheries Program and maintain funding for the Tiberon, California, laboratory.

3. Fisheries Habitat Ecology

a. Habitat Research -- Habitat research is among the most important functions of the NMFS. It is one of three NMFS programs that directly affect the agency's ability to maintain or increase production of fisheries, e.g., evaluate and mitigate the effects of wetlands loss, pollution, and other forms of environmental degradation that affect fishery production. Obviously, our near- and off-shore fisheries depend directly and indirectly on quality and quantity of habitat. If we continue to lose habitat we will lose a wide variety of fisheries, exemplified by the status of American shad and striped bass fisheries in Chesapeake Bay.

In spite of past losses of fisheries, directly attributable in part to habitat degradation, the Administration proposes to cut in half both funding and personnel in the Habitat Research Program. These decreases, if allowed, would virtually eliminate the program. Major projects in the Northeast, for example at the Sandy Hook, New Jersey, laboratory on near-shore ecosystems and environmental research in Long Island Sound, would cease. All research at the Oxford Laboratory in Maryland would end, including work on fish and shellfish disease and environmental stress. The Northwest also would be affected, with the loss of funding for essential ecosystem modeling work and other habitat investigations.

The Administration's cuts also would harm internal NMFS policy planning on habitat protection. On 25 November 1983, after more than one year of planning and public evaluation, NMFS issued a Habitat Conservation Policy which integrated and elevated habitat considerations throughout the agency. The policy encourages greater incorporation of habitat needs in fishery management planning under the FCMA. The policy also emphasizes that habitat research and conservation are a high priority for the agency.

The continued success of our nation's commercial and recreational fisheries, as well as the public's confidence in the quality of fishery products depends upon the valuable research conducted under this program.

The NWF recommends that $5.133 million be restored to the Habitat Research Program and that funding for the Oxford, Maryland, laboratory be retained.

b. Chesapeake Bay studies -- Research on Chesapaeake Bay is critical to recovery of our nation's largest and most productive estuary. Loss of striped bass and American shad fisheries are only two of the major results of changes in the Bay's environment.

We ask that funding of $1.5 million be restored to Chesapeake Bay studies.

4. Anadromous Fisheries Research

a. Columbia River research -- On the Columbia River, naturally produced salmon stocks are declining because of habitat loss due to water resource development, pollution, and poor timber harvesting practices. The government's responsibility to aid in fisheries restoration on the Columbia River, defined in the Mitchell Act of 1938, would be eliminated. But, NMFS needs increased information on the cumulative impacts of dams on salmon in the Northwest as demonstrated by recent disputes between NMFS and the Federal Energy Regulatory Commission over extensive hydropower development proposed on salmon and steelhead rivers in the Northwest.

The NWF requests that Congress restore $265,000 to the Columbia River Research Program.

b. Atlantic salmon research -- Continued research on the impact of high seas fishing on Atlantic salmon is vital to U.S. restoration efforts of the species to New England waters. In addition, the entry of the U.S. into the North Atlantic Salmon Conservation Organization carries with it the responsibility to conduct research adequate to protect U.S. investments in the fishery. The amount of money provided for this research, even if fully restored to FY 85 levels, is a small fraction of what we should be spending in conservation of this valuable fishery which we just now are beginning to restore to U.S. waters.

We recommend restoring $200,000 to the Atlantic Salmon Research Program.

c. Salmon treaty research -- We expect the U.S. to ratify the U.S.-Canada Interception Treaty by early spring 1985. Implementation of the treaty by the U.S. will require added funding for salmon fishery research. Funding to NMFS should continue for such research; however, funding amounts must be based on needs set by the final terms of the agreement which has yet to be ratified.

5. Stock Enhancement and Disease Research

a. Aquaculture -- Cuts in the aquaculture program would close the Galveston, Texas, laboratory and effectively close the Milford Laboratory in Connecticut. These two laboratories do more than function primarily to develop aquaculture techniques for private industry application. They also conduct high priority habitat and disease research, for example on shrimp fisheries and rearing of endangered sea turtles. In fact, the Galveston Laboratory's Kemp's ridley sea turtle Head Start Program has been highly successful in establishing cooperative work on this endangered species with Mexico.

NWF recommends providing $977,000 for maintenance of the Milford, Connecticut, Laboratory and $694,000 for the Galveston Texas, Laboratory.

B. Fisheries Industry Information

1. Fishery Statistics

Proposed reductions to the collection and analysis of recreational and commercial fishing information are of concern to the NWF. Specifically, we object to cuts of about $600,000 proposed for the Marine Recreational Fishing Survey base budget of $1.8 million. The Marine Recreational Fishing Survey largely is contracted to private firms. Due to inflation and continued level funding of the Recreational Fishing Survey for the past several years, funding now is inadequate to cover costs.

Little is known about the marine-fish angler but present data indicates this sector of NMFS responsibility is of major and growing importance (about 15 million marine-fish anglers take about 30% of the total U.S. catch of finfish).

We recommend restoring $3.6 million to the Fishing Survey Programs and allocating sufficient funds to cover contract costs for the FY 86 Marine Recreational Fishing Survey.

C. Information Analysis and Dissemination

1. Nearshore Research and Analysis

a. Estuarine and nearshore ecosystems -- Cuts proposed for estuarine and nearshore ecosystems analysis would contribute to a total reduction of funding for the Sandy Hook Laboratory in New Jersey of 63% (24 of 67 positions would be lost), and a reduction for the Beaufort, North Carolina, laboratory of 55% (19 of 48 positions would be lost). Gutting the funding of these labs would destroy efforts to understand the effects of nearshore contaminants on marine resources and nearshore ecological processes. Such information is vital to implementing effective habitat conservation programs and to insuring the public's safety against contamination of seafood products.

The NWF recommends restoring $738,000 to the Estuarine and Nearshore Ecosystems Programs and maintaining the Sandy Hook, New Jersey, and Beaufort, North Carolina, Laboratories at full staffing and funding levels.

b. Improve stock predictions -- Information collected in this program is needed to improve predicting the abundance of fish and their distribution on the West Coast. Proposed cuts would eliminate all funding of the Tiberon Laboratory in California.

The NWF recommends restoring the $236,000 cut to the Stock Predictions Program and maintain funding for the Tiberon, California, Laboratory.

II. CONSERVATION AND MANAGEMENT

A. Fisheries Management

1. Regional Fishery Management Councils

The Administration's proposed 56% reduction in funding for the Regional Councils clearly ignores the importance of the Councils in managing fisheries in our Fishery Conservation Zone under FCMA. In addition, the Administration proposes a 30% reduction in formal public meetings of the Councils which would strongly curtail the public's participation in decision making on federal fishery resource management.

The Regional Councils oversee management of a commercial and recreational catch worth billions of dollars. It is unjustifiable to jeopardize this resource for a savings of a mere $4 million. Yet this is what the Administration does by proposing a 56% cut to the Regional Council Budget. Recently, the mid-Atlantic Council reported that its 1983 administrative expenditures amounted to only 1.13% of the dockside value of Council-managed fisheries caught. In addition, the Council reported that, in actual dollars, Council expenditures increased by only 21% between 1978 and 1983, and when these expenditures are adjusted for inflation, spending actually decreased by 21% during that period.

Budget reductions to the Councils seem especially unwise at this time as more fisheries and more complex fisheries come under Council management authority. As the excess of previous exploitation of our fisheries by foreign and U.S. fleets are corrected, and the value of fishery resources increase, a commensurate commitment to continued effective management is mandatory. The role of the Councils must be active and aggressive if we are to achieve the goals Congress laid out in FCMA.

The NWF recommends that $4 million be restored to the Regional Fishery Management Councils.

2. Columbia River Programs

The Administration would provide no funds for the Columbia River Fisheries Development Program. Abandonment of the program would withdraw NMFS support for over 20 hatcheries, affecting an estimated 120 million salmon and steelhead produced annually, and would end funding for fisheries enhancement work, maintenance of over 600 fish screens at water diversions, and operation and maintenance of 86 fish passage facilities.

The Columbia River Program was initiated by the Mitchell Act of 1938 to mitigate the impacts to fisheries of the large federal water projects of the Columbia River Basin. Federal responsibility to continue this program has not diminished since the program began. Presently the program accounts for about 75% by number and over 50% by weight of all Columbia River Salmon releases. In addition, habitat improved by the program has resulted in major benefits to salmon fishery resources.

The Administration proposes legislation to transfer funding of the program to the Bonneville Power Administration. Electric rate payers would be assessed the costs of hatchery operations. We are fearful that such legislation might transfer management responsibility for fisheries under the Columbia River Program to the Department of Energy, a proposal we find unacceptable. In addition, we are concerned that the proposal might diminish the overall fishery conservation program provided to the Northwest by both the Columbia River Program and the Fish and Wildlife Program developed under the Northwest Power Planning Act. The proposal does not include funds to operate fish screens, fish passage facilities, and conduct additional environmental work as provided for in the present program ($1.7 million).

In lieu of an acceptable alternative funding source, NWF recommends restoring the total base level funding of $9.954 million to the Columbia River Program.

3. Habitat Conservation

The proposed FY 85 budget would reduce the Habitat Conservation Program's funding from FY 85 levels by 42%. Habitat Conservation is the NMFS program that provides environmental assessment and impact analysis to fulfill NMFS consultation requirements mandated by Congress in legislation such as the Fish and Wildlife Coordination Act and the Clean Water Act. No other NMFS program has more potential to maintain and enhance our nation's fisheries. NMFS habitat conservation activities are directly responsible for maintenance or loss of fisheries habitat -- the ultimate bottom line for our nation's commercial and recreational fishing industries.

Cuts to this program again harm internal NMFS policy and planning in the area of habitat conservation. These cuts would make it virtually impossible to implement the newly adopted Habitat Conservation Policy. This is especially true since present activities are substantially below those needed to effectively implement what we believe to be the nation's habitat conservation requirements. For example, in the Southeast, 13 biologists are responsible for providing comments on over 6,000 permit applications from developers proposing various projects each year. The Habitat Conservation Program was responsible for conserving nearly 17,000 acres of coastal habitat in the Southeast during a recent year. Habitat so maintained was worth an estimated $33 million to the commercial and recreational fishery.

The NWF supports in the strongest terms the Habitat Conservation Programs critical needs for continued funding. We recommend restoring $2.27 million to the Habitat Conservation Program.

III. STATE AND INDUSTRY ASSISTANCE

A. Grants to States

1. Anadromous Fish Conservation Act

a. Section 4 (Grants to States) -- The Anadromous Fish Conservation Act (P.L. 80-304) grants to states program would be eliminated by the Administration's proposal. This program has provided enormous benefits to anadromous fishery resources which are a primary federal responsibility.

It is vital that this program be continued. For example, critical research needs for just one of the many anadromous fish covered under Section 4, the American Shad, recently were assessed by fifty of the nation's top experts on American shad fisheries. These experts developed a list of research projects determined to be critical to maintaining and restoring this important fishery. Total funding was estimated at between $3 and $5 million. Therefore, critical funding needs for even one of the many anadromous fish species covered under the Act outweigh total monies available.

The NWF urges restoration of $3.2 million to Section 4 of the Anadromous Fish Conservation Act Program.

b. Section 7 (striped bass research) -- Section 7 of the Anadromous Fish Conservation Act provides funds for a series of research projects collectively known as the Emergency Striped Bass Study. The proposed NMFS budget includes no money for Section 7. The Emergency Striped Bass Study was implemented to monitor the status of striped bass stocks and to determine factors responsible for their decline which is reaching critical stages on the East Coast. Although studies are continuing and some critical research needs have been addressed, tremendous need for the study's research continues. The "study" is not complete and the decline of Atlantic coastal striped bass continues.

NWF urges that Congress maintain NMFS funding of $500,000 for continuation of Section 7, the Emergency Striped Bass Study.

2. Commercial Fisheries Research and Development

The proposed FY 85 budget would eliminate all funding for Section 4(a), grants to states, of the Commercial Fisheries Research and Development Act (P.L. 88-309). Highly important fisheries research activities are conducted in all 50 states by funds provided through the program. Recently, NWF testified at hearings held on reauthorization of the Act. The result of those hearings probably will be development of a new bill redirecting work currently funded under the Act to priority federal research needs. We feel the present legislation has worked well, but support fine-tuning the Act to enable it to work even better.

NWF urges continued funding of the Commercial Fisheries Research and Development Program at $4 million.

3. Fisheries Development

a. Development Grants (Saltonstall-Kennedy Program) -- The NWF urges that $9 million be restored to this important grants program. Monies accruing to the development grant program should be spent on such grants. Activities conducted under these grants could be beneficial to the recreational as well as commercial fishing industry. We hope Congress will emphasize the need to increase the availability of these funds to recreational fishing oriented projects.

Mr. Chairman, we hope these comments will be helpful in your evaluation of the NMFS budget. Thank you for the opportunity to speak before you today on the critical need to maintain funding for the National Marine Fisheries Service.

Summary of National Wildlife Federation Recommendations
on the Fiscal Year 1986 Budget of the National Marine Fisheries Fisheries Service
(* denotes high priority Program for NWF)

Program	NWF recommended additions to Administration's proposed budget[1] (thousands of dollars)	Additional NWF recommendations/ comments
Information Collection and Analysis		Maintain all NOAA research vessels ($5,526)
Resource Information		
Surveys	2,000	
Fisheries Biology		
Marine Recreational Fisheries	918	maintain Tiburon, CA lab.
Fisheries Habitat Ecology		
*Habitat Research	5,133	critical research given high priority by recent NMFS Habitat Policy; maintain Oxford, MD lab.
Chesapeake Bay Studies	1,500	
Anadromous Fisheries Research		
Columbia River	265	
Atlantic Salmon	200	
Salmon treaty	?	Amount of funding dependent on research needs to implement U.S.-Canadian treaty
Stock Enhancement and Disease Work		
Aquaculture	1,671	maintain Galveston, TX and Milford, CT labs.
Fisheries Industry Information		
Fishery Statistics	3,600	
Information Analysis and Dissemination		
Nearshore Research and Analysis		
*Estuarine and Nearshore Ecosystems	738	maintain Sandy Hook NJ and Beaufort, NC labs.
Improve stock predictions	236	
Conservation and Management		
Fisheries Management Programs		
*Regional Councils	4,000	
Columbia River	9,954	
*Habitat Conservation	2,270	critical program given high priority by recent NMFS Habitat Policy
State and Industry Assistance		
Grants to States		
*Anadromous Fish Conservation Act		
Section 4	3,000	
Section 7	500	
*Commercial R&D	4,000	
Fisheries Development		
Development Grants (S-K)	9,000	

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1. Recommendations equals restoration to FY 86 base level funding (base level is the funding level required to maintain program at present acticity level).

AIR TRANSPORT ASSOCIATION OF AMERICA

STATEMENT OF JAMES E. LANDRY, SENIOR VICE PRESIDENT AND GENERAL COUNSEL, AIR TRANSPORT ASSOCIATION OF AMERICA

PREPARED STATEMENT

Senator RUDMAN. Mr. Landry and Mr. Mola.

Mr. LANDRY. Thank you, Mr. Chairman. I am senior vice president and general counsel for the Air Transport Association of America, which represents most of the scheduled airlines of the United States.

We appreciate the opportunity to appear before the subcommittee to discuss the fiscal year 1986 appropriations for the U.S. Immigration and Naturalization Services and the U.S. Travel and Tourism Administration. Our prepared statement focuses on seven areas of airline concern. I understand that it will be included in the record.

Senator RUDMAN. It will.

[The statement follows:]

PREPARED STATEMENT OF JAMES E. LANDRY
SENIOR VICE PRESIDENT AND GENERAL COUNSEL
AIR TRANSPORT ASSOCIATION OF AMERICA

My name is James E. Landry. I am Senior Vice President and General Counsel for the Air Transport Association of America, which represents most of the scheduled airlines of the United States.

We appreciate the opportunity to appear before the Subcommittee to discuss the FY 1986 appropriations for the U. S. Immigration and Naturalization Services and the U. S. Travel and Tourism Administration. Our statement will focus on seven areas of airline concern.

Before turning to these specific matters, however, I would like to take this opportunity to commend Immigration for introducing efficiencies in its inspection procedures, most particularly the U.S. citizen bypass, whereby returning U.S. citizens are not required to go through the Immigration inspection function. This modern inspection procedure results in a net reduction in Immigration inspector staffing requirements at airports where it has been introduced, and we urge the support of the Subcommittee for its introduction nation-wide.

I Immigration Inspector Staffing at Airports

Reduced levels of U.S. Immigration and Naturalization Service inspector staffing at airports causes damaging impacts on international air service, on tourism and on the traveling public. We ask the Subcommittee to resolve this problem by bringing Immigration inspector resources and work loads into better balance through adequate appropriations and policy direction.

The FY 1986 Immigration Service budget request provides for no increase in Immigration inspector staffing at airports of entry. However, a conservative airline industry analysis concludes that a minimum of 180 additional U.S. Immigration inspectors are now needed at U.S. airports of entry in this country and at U.S. preclearance airports abroad.

Delays due to inadequate U.S. Immigration inspector staffing are a real and present interference at airports such as Los Angeles, San Francisco, Seattle, New York's Kennedy Airport and at the preclearance airport of Montreal. For example, at Seattle, there are many occasions when the clearance exceeds more than two hours. The minimum interline passenger connecting time for international flights for Seattle, as published in the Official Airline Guide, is one hour and thirty minutes. Consequently, many passengers miss their connecting flights. Without significant increases in staffing levels at these locations and others, the problem will be exacerbated during the peak travel season extending from April through October.

II Extension of Preclearance to Other Locations Abroad

The system of preclearance -- the inspection of passengers and their baggage for Immigration, Customs and Agriculture quarantine purposes prior to departure from a foreign country, rather than upon arrival in the United States -- has been a tried and proven operational procedure at locations in Canada, Bermuda and the Bahamas for over three decades.

Preclearance allows travelers to "trickle" in at foreign airports at their own pace and proceed through Immigration (and Customs) formalities in a leisurely fashion with ample time for as thorough inspection as required. This is in contrast to inspection after arrival in the United States when planeloads of persons disembark at an Immigration (and Customs) area with travelers from countries all over the world.

With preclearance, scheduled minimal connection times at U.S. airports are substantially reduced, and passengers are accepted for interline connections as if they had arrived on a domestic flight. Equally significant, with preclearance, the Immigration Service is able to interdict inadmissable aliens before their departure to the United States, thereby precluding deportation proceedings and lengthy appeals by such aliens at great expense to the Immigration Service and to the airlines.

We therefore respectfully urge the support of the Subcommittee in the extension of preclearance to select additional overseas locations. In Europe, for example, we recommend London, Shannon, Frankfurt and Rome. In North America, we recommend Santo Domingo, Port of Prince and Mexico City; and in the Pacific we recommend Tokyo and Sydney. Preclearance of air travelers is one of the best operational measures yet devised to facilitate international air travel, and we urge the support of the Subcommittee in obtaining its extension overseas on a priority basis.

III Alien Detention Costs

Another matter of grave concern to the airline industry is the ever increasing cost of alien detention. Under Immigration's application of current law, airlines are being obliged to take custody of aliens who arrive by plane and are not admitted by Immigration officials. Airlines pay for food and shelter of such aliens in these cases, and for the private security forces who keep them in detention in the absence of federal detention facilities. Often, this improper detention obligation has extended for weeks and months, and on some occasions, for several hundred days.

We believe that holding an alien in custody, with its attendant deprivation of liberty, is properly a responsibility of the Immigration Service -- not a private entity such as an airline. To insure the safety of the U.S. citizenry, to attain immigration goals, and to guarantee the rights of the alien, trained, experienced federal law enforcement officers, not private security forces, should always be responsible for the alien's detention.

In the same vein, we do not believe it proper that the airlines pay for the food, shelter, and detention costs. We are transportation companies, not trained federal inspectors or penologists. If we transport an alien who does not meet admission requirements, we cooperate with the government and fly him home at our expense. If, however, the government makes the policy decision that an alien may remain for the lengthy, multi-step hearing and appellate process, the airlines should not have to pay. The conduct, timing, and length of that process are totally within the control of the government. If the airline has conducted a good faith inspection of the passenger's documents, subsequent detention costs incurred should not be borne by the airlines. We ask the support of this committee for adoption of appropriate legislative amendments.

IV Immigration Overtime Services

The airlines have long been concerned about the requirement to reimburse U. S. Immigration for services performed outside regular tours of duty during weekdays, including Saturdays, and on Sundays and holidays. This practice has been limited to international flights arriving either more than one hour early or more than one hour late. However, effective January 25, 1985, the Immigration Service by administrative ruling decided to require overtime reimbursements from the airlines for services performed at virtually all gateway commercial airports outside of the hours of 8 a.m. to 5 p.m., whether or not flights were on time.

In commenting on this matter to Immigration, we suggested the proper forum for altering policies on overtime payments was the Congress, as we strongly believe that a burden for keeping the nation's doors open to visitors more than nine hours per day should not be imposed on the airlines by Immigration's administrative fiat. Immigration estimates that this will cost the airlines an additional $4.7 million annually. The airlines strongly believe that the inspection services being performed are services that are compelled by statute and are performed for the protection of the United States and its citizenry, with no unique or direct benefits accruing to transporting companies, and that the costs should therefore be borne by the general public.

We have attached a copy of our comments to Immigration in this regard, and we request this Subcommittee's support for appropriate statuatory revisions to the Immigration overtime laws. Meanwhile, we ask this Subcommittee to direct the Immigration Service to rescind its overtime rule until the Congress has had a chance to review and examine it in detail.

V Visitor Visa Waivers

Legislation has been reintroduced this year to waive the visitor visa requirement for selected countries whose citizens do not represent overstay problems in the United States. We ask the support of this Subcommittee for the enactment of such legislation as a means of enhancing and stimulating visitor travel to the United States, a critical need in view of the high cost of the U.S. dollar overseas and our serious balance of payments deficit.

VI U.S. Canada-Immigration Association

In order to provide inspection efficiencies and eventually reduce the number of Immigration inspectors along the U.S.-Canadian border, the airlines recommend the cooperative development and implementation of a U.S.-Canada Immigration association for transborder travel. In view of the similarity of United States and Canadian Immigration (as well as Customs, Agriculture and Public Health) missions, problems, needs and requirements, an Immigration association appears to be ripe for consideration by this Subcommittee.

Under such a plan, for example, visitors admitted to one country would be admissable, in most cases, to the other country and could otherwise freely travel across the common border under normal circumstances without further immigration inspection. This plan would also allow goods accompanying travelers crossing the U.S.-Canada border to be, within reason, duty exempt. Such an Immigration association concept could be considered first in terms of U.S. and Canadian citizens, with eventual application to overseas visitors.

Implementation of a U.S.-Canada Immigration association, as well as one with Customs, could eventually eliminate the need for dual national staffs of Immigration and Customs inspectors along the common border, and at airports for trans-border air travel, inevitably resulting in major cost savings for the governments and taxpayers of both nations.

VII USTTA Zero Budget

Turning to the U.S. Travel and Tourism Administration, we are dismayed at the zero budget proposal which will do away with this agency. The airlines have vigorously marketed their individual services, and will continue to do so. However, the airlines, either singly or collectively, can not be expected to market the United States in its entirety as a desirable destination.

Similar to almost all other countries, an agency such as the U.S. Travel and Tourism Administration is necessary to market the United States, with all of its vast tourism potentials and wonders. Today this is all the more crucial with our enormous balance of payments deficit and with the U.S. dollar having reached new heights in terms of foreign currencies -- clearly a depressant on visitor travel to the United States. In 1983, for example, 21.7 million visitors spent $13.9 billion and generated 312,800 jobs in the United States. These benefits to our economy must not be allowed to diminish.

Conclusion

The basic responsibilities of the U.S. Immigration Service have been established by the Congress. Resulting inspection requirements are considered necessary in the broad national interest. So long as the national interest continues to require the imposition of an inspection process on international air commerce, there must be a concomitant obligation to provide the necessary means for its efficient accomplishment.

Immigration inspector staffing at U.S. gateway and preclearance airports is substantially below the level needed today for the prescribed air commerce inspection process. Delays and public inconvenience have been and will continue to be the consequence. Unless steps are taken to assure adequate Immigration inspector resources, these problems will worsen; and unless other measures are undertaken, such as a U.S.-Canada Immigration association as outlined previously, inspector staffing resources will continue to be woefully inadequate. Extension of preclearance to other locations abroad is also necessary -- not only to deal with the inadmissible alien problem, but also to further facilitate international air travel. These proposals together with visitor visa waiver legislation and a dynamic U.S. Travel and Tourism Administration, will help assure that visitor travel to the U.S. increases.

Finally, we ask the Subcommittee to approve funds for 180 additional Immigration inspectors in order to forestall delays at our airports and to permit the efficient processing of international commerce.

Thank you for this opportunity to submit views on behalf of the nation's airlines.

LETTER FROM AIR TRANSPORT ASSOCIATION OF AMERICA

October 30, 1984

Ms. Loretta J. Shogren
Director of Policy Directives
  and Instructions
Immigration and Naturalization Service
425 Eye Street, N.W.
Washington, D.C. 20536

Dear Ms. Shogren:

On September 17, 1984, the Air Transport Association of America (ATA) filed comments in response to a Notice of Proposed Rulemaking1/ (NPRM) which would require airlines to pay "inspectional overtime costs" at "landing rights" airports. In those comments, ATA noted that the NPRM was deficient, inter alia, because it failed to identify "the legal authority under which the rule is proposed."2/ 5 U.S.C. §553 (b)(2). To assist in your evaluation of that comment, I urge you to read National Tour Brokers Ass'n. v. United States, 591 F.2d 896, 900 (D.C. Cir. 1978).

ATA also emphasized that the proper forum for revamping policy on "overtime" payments is the Congress. On October 16, the General Accounting Office issued a report3/ on the overtime laws, and forwarded it to Congress to provide assistance in evaluating the legislative proposals advanced by the Reagan Administration. This report provides much evidence of the extremely complicated nature of the overtime issue, and clearly demonstrates that it is Congress, not individual agencies acting unilaterally, which must act to settle that issue.

ATA believes that the INS NPRM should be withdrawn.

Sincerely,

David R. Murchison
Assistant General Counsel -
Government Affairs

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[1] 49 Fed. Reg. 29104 (July 18, 1984)

[2] The only reference in the NPRM to legal authority was to 8 U.S.C. §1103, §1229, which standing alone provide no authorization to "place . . . financial liability for inspectional services on the benefitting user . . . ." 49 Fed. Reg., supra, at 29104.

[3] GAO/GGD-85-5, October 16, 1984.

LETTER FROM AIR TRANSPORT ASSOCIATION

JAMES F. GORSON, DIRECTOR, FACILITATION AND DAVID R. MURCHISON ASSISTANT GENERAL COUNSEL GOVERNMENT AFFAIRS

By Messenger September 17, 1984

Ms. Loretta J. Shogren
Director of Policy Directives
and Instructions
Immigration and Naturalization
Service
425 Eye Street, N.W.
Washington, D.C. 20536

Dear Ms. Shogren:

The Immigration and Naturalization Service (INS) has issued a Notice of Proposed Rulemaking (NPRM)[1] which would require airlines to pay "inspectional overtime costs" at "landing rights" airports. The Air Transport Association of America (ATA), which represents the major United States scheduled airlines, opposes adoption of the proposal for four reasons.

First, the proper forum for altering policy on overtime payments is the Congress. Indeed, the Department of Justice has acknowledged that fact by transmitting to Congress a comprehensive bill which would entirely overhaul the overtime program. Significantly, that proposed bill is designed to reduce costs for private parties by reducing the rates of pay. The INS NPRM is in direct conflict with that legislation in that it is designed to substantially increase costs to private parties.

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[1] 49 Fed. Reg. 29104 (July 18, 1984).

Clearly, INS should not pursue a regulatory policy which will have an adverse economic impact on private parties, while it is concomitantly asking Congress to adopt legislation which may have the contrary result. The airline industry should not be forced to adhere to a new set of regulations of uncertain duration which will be altered upon passage of the proposed bill. This is particularly true in view of the fact that the current regulations have worked well for many years, no compelling need has been cited for the new rules, and, most important, the proposed regulations are beset with a variety of deficiencies.

That leads to the second ground of opposition to the proposal. The NPRM adheres to a list of designated ports of entry which is outdated and inconsistent with Congressional intent. The purpose of that adherence is baldly to maximize revenues in spite of the irrationality of the list of designated ports. By using the outdated list, INS can charge overtime at more than 75% of the 20 U.S. airports with the heaviest international travel. Why? Because they have not been designated ports of entry, and overtime can be charged at non-designated ports. This leads to absurd results.[2] For example, John F. Kennedy International Airport, (JFK) which has more international traffic than any other U.S. airport, is not a designated port of entry, while Rochester - Monroe County Airport is so designated. Chicago's O'Hare International Airport, which had 1.3 million enplaned international passengers in 1983, is not a designated port of entry, while Chicago's Midway Airport, which had no enplaned international passengers, is a designated port. Incredibly, the current list of designated ports includes airports which cannot even handle large aircraft which transport the bulk of international travelers.

When Congress empowered the Secretary of the Treasury to designate ports of entry for civil aircraft and the Attorney General to designate which of those ports would be ports of entry for aliens, it did not intend that those designations be accorded to airports which received a miniscule portion of international traffic. The proposal of INS, if implemented, would continue the outrageous circumstance that, generally, overtime could not be collected at Richards Field in Manessa, New York, because it is a designated port of entry, while overtime could be collected at JFK because it is not a designated port.

Simply as a matter of good government and fundamental fairness, INS should not capitalize on an outdated list of airports which fails to meet the intent of Congress in order to maximize its overtime revenues. Rather, it should meet with the appropriate parties, including the Commissioner of Customs, for the purpose of developing a sensible, statutorily sound, list of airports which are, in fact, the real ports of entry for the United States. Any proposal on overtime pay should be deferred until such an effort is considered.

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[2] Compare Airport Operators Council International, Worldwide Airport Traffic Report (1983) with 8 CFR 100.4(c)(3).

The third ground for opposition is that, if implemented, the proposal would violate international agreements and prompt retaliatory action by foreign governments. For example, Article 8 of the United States Air Services Agreement with Italy provides that:

> "Aircraft of carriers designated by either Contracting Party, which are engaged in air transport services provided for in the present agreement, shall be permitted to enter and depart from the territories of the other Contracting Party without payment of customs duties, inspection fees and any other charge or tax."

Obviously, the broad expansion of overtime charges will raise a red flag which will bring U.S. compliance with this agreement, and many others similar to it, under close scrutiny. Moreover, there are numerous air transport agreements, such as that between the United States and Thailand, which "require that aircraft be exempt from fees and charges on a reciprocal basis. Thus, should the United States impose such fees, these countries would almost certainly do so."[3] In the NPRM, INS failed to even mention the international ramifications of its proposal. ATA believes they could be significant and warrant a comprehensive study by INS, with a report of that study provided to the public for comment prior to taking any further action on the proposal.

The fourth ground of opposition is that the proposal is not the product of reasoned decision-making. The federal courts have made clear that "[a] regulation perfectly reasonable and appropriate in the fact of a given problem may be highly capricious if that problem does not exist." *City of Chicago* v. *FPC*, 456 F.2d 731, 742 (D.C. Cir.1971), *cert. denied* 405 U.S. 1074 (1972). What is the problem this proposal is designed to remedy? The proposal itself lists four objectives. First, it "would bring the regulation more closely into conformity with 8 U.S.C. §1353(b) . . . ." Precisely, the contrary is true. The *current* regulations rationally acknowledge that §1353(b) prohibits overtime assessments at the true ports of entry to this country. Providing, as the proposal would do, that overtime assessment is permissible at JFK, but not at that "giant" port of entry, Richards Field, hardly effectuates Congressional intent, or brings a regulation "more closely into conformity" with the statute.

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[3] See Letter of M. V. Scocozza, Deputy Assistant Secretary of State for Transportation and Telecommunications, to Commissioner of Customs, dated July 23, 1982.

The second alleged objective of the proposal is to provide "clearer definitions relating to 'international' and 'landing rights' airports." A comparison of the present regulation with the proposal reveals no such clarification, nor any need for one. Present §239.4 relating to the definition of international airports is simply shortened with no substantive change. The "clearer" definition of landing rights airport is of no substantive effect since the expression is not used again in Part 239, and, indeed is ignored in favor of apparently synonymous language in both §239.2(a) and (b).

The third objective is to "eliminate any arguable conflict between the Secretary of Treasury's powers pursuant to 49 U.S.C. §1509(b) and the Attorney General's authority under 8 U.S.C. §1229 . . . ." The proposal does not identify or discuss any such "conflict," so it is impossible for interested persons to exercise their rights under the Administrative Procedure Act to offer comments on this issue. Moreover, if there is a conflict, it is statutory in nature and cannot be "eliminated" by any regulatory action. This again demonstrates the need for Congress, not a regulatory body, to examine the issue in detail and provide a remedy, if one is needed.

The fourth and final objective is to "place any financial liability for inspectional services on the benefiting user and not on the Government of the United States." Apparently the notion of liability encompasses "any additional expenses incurred in inspecting passengers or crew on board such aircraft." See Proposed Part 239.2(b). The statutory provisions cited by INS for its authority to impose this regulation (§§103 and 239 of the Immigration and Nationality Act) deal solely with designation of ports of entry and the general powers of the Attorney General and the Commissioner of INS. Nothing in either section empowers INS to assess overtime charges against anyone. If INS decides to persist in pursuing this objective, it must reissue its NPRM in conformity with the requirements of 5 U.S.C. §553(b)(2) and identify the legal authority it claims as authority, so that the public can respond properly. Moreover, the airlines are not the "benefiting user" of inspectional services. Those services are compelled by statute to be performed for the protection of the United States and its citizenry. The airlines are no more a special beneficiary obligated to make special payments than is a robbery victim whose purse is retrieved by police. The proposal's contrary assertion is unsupported by reference to any applicable statute, case law, or legal treatise.

ATA believes the NPRM should be withdrawn. It is beset with legal and policy infirmities. The proper forum for revising overtime policies is the Congress of the United States.

IMPROVEMENT IN IMMIGRATION PROGRAMS

Mr. LANDRY. Thank you, Mr. Chairman. While focusing on those areas of concern, however, we also commend Immigration for introducing efficiencies in its inspection procedures, most particularly the U.S. citizen bypass, whereby returning U.S. citizens are not required to go through the immigration inspection function. That modern inspection procedure results in a net reduction in immigration inspector staffing requirements at airports where it has been introduced, and we urge the support of the subcommittee for its introduction nationwide.

In my prepared statement, we address the need to augment immigration inspector staffing at airports; the need for expansion of preclearance to other foreign locations; the need to shift the burden and costs for detention of illegal aliens to the proper party—the Government, not the private sector; the impropriety of closing this Nation's doors to visitors outside of a 9-hour day, except at airline expense; the long overdue enactment of visitor visa waiver legislation; and the opportunity for substantial cost savings for both the United States and Canadian Governments through the development of immigration and customs associations to handle transborder travel.

In conclusion, we note that the basic responsibilities of the U.S. Immigration Service have been established by the Congress. Resulting inspection requirements are considered necessary in the broad national interest. So long as the national interest continues to require the imposition of an inspection process on international air commerce, there must be a concomitant obligation to provide the necessary means for its efficient accomplishment.

Immigration inspector staffing at U.S. gateway and preclearance airports is substantially below the level needed today for the prescribed air commerce inspection process. Delays and public inconvenience have been and will continue to be the consequence. Unless steps are taken to assure adequate immigration inspector resources, these problems will worsen; and unless other measures are undertaken, such as the extension of preclearance to other locations abroad and the development and implementation of a United States-Canada Immigration Association, inspector staffing resources will continue to be woefully inadequate.

Finally and specifically, we ask this subcommittee to approve authorization for 180 additional immigration inspectors in order to forestall delays at our airports and to permit the efficient processing of international commerce. Thank you for this opportunity to submit views on behalf of the Nation's airlines.

Senator RUDMAN. Thank you very much, Mr. Landry. Mr. Mola.

PROJECTS ADVISORY GROUP

STATEMENT OF JOHN MOLA, PROJECT ADVISORY GROUP

LEGAL ASSISTANCE TO POOR

Mr. MOLA. Mr. Chairman, greetings from New England. I am John Mola. I am executive director of Funding Criteria Committee and cochair of the Project Advisory Group. I appear before you today as a representative of more than 300 local programs that provide legal assistance to poor persons with a population of 50 million Americans across the country.

The Project Advisory Group requests appropriations of $373 million for the Legal Services Corporation in fiscal 1986. This amount we believe is necessary to continue the efforts to attain the minimal goal of three attorneys for 10,000 work people, which sought and essentially achieved in fiscal year 1982 before the 25-percent reduction in funding.

We also ask the Congress mandate for an additional year the specific method by which LSC allocates any appropriations, whether or not the Senate confirms an LSC board.

Senator RUDMAN. Let me stop you right there. As you know, I have had a continuing interest in this for quite some time. This is out of my time, not yours.

Do you think that is wise? Do you really think that is what we ought to do, even though we may confirm a board of a quasi-independent corporation, if we have confidence that this board finally wishes to do what we believe the law mandates; that we here in the Congress—and, frankly, very few of us in particular; it is about two or three on this side, two or three on the other side—that we continue to micromanage the Legal Services Corporation. Is that what you are really asking us to do?

Mr. MOLA. Yes, Senator.

Senator RUDMAN. That is because you don't trust the new board even though we confirmed it?

ACTIVITIES OF NEW BOARD

Mr. MOLA. The new board was appointed back in December and since that time, just a scant few months ago, the board has taken what we believe to be some very disastrous actions that create a major danger to the continuation of the national delivery system. They, in December, voted to cut almost 22 percent from the funding format and State-support programs that deliver services to native Americans.

They did this without really any understanding of the program. One of the current board members served in a legal services program. I don't believe any others had any experience with legal services, except for the one who served as a board member of a national support center in San Francisco.

After they made those drastic cuts, which would really dismantle major components of the delivery system, they realized perhaps their decision in the long term would create undue waste and held post hoc hearings where they allowed representatives from those various delivery components to come and testify. Tomorrow and Thursday they will meet again to revisit those decisions. I have been working on behalf of PAG at the interim meetings of that board. I don't believe we are going to see signficant changes in those. That is one indication where I think we need to have the affirmative rider, so-called, for an additional year to allow them an opportunity to become educated and make very deliberate and analyzed decisions about the future of this corporation.

Senator RUDMAN. Why don't you go ahead and continue your statement.

Mr. MOLA. In addition to the decisions that they have already made, the board continues at the urging of the corporation staff to urge funding allocations such as equalization of funding which would further reduce the quantity and quality of Legal Services delivered nationally.

The Corporation's 1986 budget request itself suggests undue infatuation with totally unproven private attorney law school clinics. The Corporation continues in spite of the desperate financial situations in the field to maintain a fund balance of nearly 30 percent for funds which it has discretion to spend, a level it has maintained generally for several fiscal years.

GROWTH IN NUMBER OF U.S. POOR

The poor people population in the United States continues to grow since the 1980 census count. In 1985, I believe that there were almost 37 million citizens who would be poor by Federal poverty guidelines. These clients come to our offices with very desperate problems on a daily basis and all too often we must make a decision based on resources not to provide legal assistance to clients who seek our help. All too often the problems clients bring to us the problems deal with the very necessities of life. They may be faced with a loss of income, loss of shelter, a loss of energy during the heating season, a loss of job, and these decisions are critical. When we say no, it is going to have a disastrous effect on these individuals' lives. All too often the deprivations, the legal harm of the poor people is at the hands of individuals or institutions or government agencies even purported to act under law, but who, in fact, deprive our clients of their legal rights. Like habitual highway speeders, many of these individuals and institutions consciously ignore well-known limits until faced with legal sanctions. Legal services programs are the cop on this particular beat. We provide law enforcement for America's least powerful and least knowledgeable citizens. We are, indeed, the safety net of the safety net. We have never really been funded at a realistic level. We would urge that Congress, again, appropriate an amount of money this year that will continue us along toward the goal of minimum access.

In 1985, Congress set $13.57 per poor person. Last year, we asked for attainment of minimum access in 3 years. We are again asking for an appropriation this year of $337 million that will allow us to attain minimum access in a 3-year period.

We realize the budget deficit problems and other problems faced by the Congress but in view of the demand on that need and the portion to make sure that access to justice is done everyday in this country that the historical goal of appropriating minimum access funds is, indeed, a modest one.

In addition, we believe that it is important to continue the restrictions on how that money is spent, as I indicated.

I think you would do us a favor, do our clients a favor, do the board a favor to allow them time to become educated about this very important program. We are very concerned about their decisions made in December to cut programs, components of our delivery system by 21.6 percent. This is in light of what they call, the board calls a corresponding cut in central administration. That part of the headquarter's budget that for several years has maintained multimillion dollar fund balances because of their inability to effectively spend the money directly under their control. The corresponding cut for management and administration is just above 11 percent, as compared to 21.6 percent cuts to other field components.

Senator RUDMAN. I think we are about out of time according to my schedule.

PREPARED STATEMENT

Mr. MOLA. That concludes my remarks, Senator. I would ask my testimony be included in the record.

Senator RUDMAN. It all will be, of course.

[The statement follows:]

STATEMENT OF JOHN MOLA, CO-CHAIR, FUNDING CRITERIA COMMITTEE, PROJECT ADVISORY GROUP

I. INTRODUCTION

On behalf of the more than 300 local programs providing civil legal representation to a client population of 50 million poor persons, the Project Advisory Group requests a Congressional appropriation for the Legal Services Corporation for fiscal 1986 of $373 million. This amount is necessary to continue the efforts to attain the minimum access goal of two attorneys per 10,000 poor persons, which Congress, the field and LSC sought and essentially achieved in fiscal 1981.

We ask also that Congress mandate for an additional year the specific method by which the Legal Services Corporation allocates any appropriation you provide -- whether or not the Senate confirms LSC Board members later this year.

We consider such restrictions almost as important as the 1986 appropriation itself. The current Corporation Board and staff is woefully inexperienced. They are only beginning to study the history of past LSC and Congressional funding decisions. They will need at least the remainder of 1985 to review and analyze thoughtfully the past decade's funding rationales.

Corporation staff continue to urge funding allocations which would reduce the quantity and quality of legal services delivered nationally. The Corporation's 1986 Budget request, itself, suggests undue infatuation with totally unproven private attorney and law school clinics. And the Corporation continues to maintain a fund balance of nearly 30% from the funds which it has discretion to spend, a level it has maintained generally for several fiscal years.

Low income citizens' need for legal assistance is now more critical than ever. From 1980's census of 29.5 million, America's poverty population climbed to 34.4 million in 1982 and 35.3 million in 1983. There is no sign the increase has abated or reversed. In 1985 almost 37 million citizens could be poor by federal definition.

The real estate industry predicts that home foreclosures in 1985 will equal or surpass the record 1974 level. Farm foreclosures are increasing dramatically.

In 1984 Congress had to move to curtail record, extraordinarily arbitrary, Social Security termination of disabled citizens from its benefit rolls.

In 1985 the Department of Health and Human Services published a regulation which would automatically send a portion of AFDC recipient's monthly benefits to their landlords, presumably because these families' monthly Hobson's choices too often favored utility companies, clothing stores, supermarkets or used car dealers.

Legal services' clients daily face loss of income, loss of jobs, loss of health, loss of shelter, loss of children, loss of possessions, loss of dignity and self-respect -- often at the hands of individuals, institutions or government agencies purporting to act under the law but who, in fact, deprive our clients of their legal rights. Like habitual highway speeders, many of these individuals and institutions consciously ignore well-known limits until faced with legal sanctions. Legal services programs are the "cop" on this particular beat. We provide law enforcement for America's least powerful and least knowledgeable citizens.

Legal services is not only the "safety net of the safety net" for the elderly, the disabled, single mothers and millions of children, its lawyers often are their sole link to the fair and well-ordered society which most Americans take for granted.

The remainder of our remarks will describe, as we have in previous years, the unmet needs of the clients we serve and the goal of "minimum access" which Congress has acknowledged repeatedly. More prominently, we will state the case for one more year of close Congressional control of your appropriation to LSC. But, before this discussion, we offer a thought about the difficult budgetary choices you have before you this year.

We understand and appreciate the enormous threat of the budget deficit to our clients, as well as to all Americans. We understand your temptation to freeze all spending as a response to that threat. Yet we note with curiosity Administration recommendations that you increase the 1986 funding of other agencies in our budget function by almost as much over fiscal 1985 as we request you to provide to help poor people gain equal access to justice.

As stated before, we provide a unique form of law enforcement like the Justice Department. When our efforts for our clients succeed, we help them become productive members of our national economy participating in "commerce." When we achieve fair treatment for the least economically advantaged we assist our diplomats' efforts to represent America abroad. Surely maintaining Legal Services at a modestly increased level has as much benefit to our nation as the budget increases recommended for the major agencies in our function.

Few would argue that even the least advantaged Americans should benefit from our nation's fundemental values of fairness and orderly dispute resolution. We suggest that modest growth in financial support for the institution designed to assure those benefits is as necessary as rapid growth in the institution which defends those values against foreign threats.

II. The Need for Continued Congressional Control

A. LSC's Board and Staff Are Too Inexperienced:

For five straight years President Reagan has proposed zero funding and the abolition of the Legal Services Corporation. Unable to obtain his goal in Congress, the President has tried to accomplish the elimination of legal services by his appointees. None of them has been confirmed by the Senate as required by the

Legal Services Corporation Act. Instead, the Legal Services Corporation has been run by a series of recess-appointees who had no experience in legal services. The experienced, integrated professional staff at LSC were replaced by inexperienced and unknowledgeable people.

The current LSC Board first convened December 5, 1984. They have had two more full meetings since then and several meetings of standing Board committees. They have appeared more open-minded and thoughtful than their immediate predecessors. But they have been candid about their shortcomings. At their December 20, 1984 meeting, Chairman Clark Durant and a few other members stated that they were too newly arrived in legal services and too unfamiliar with the Corporation's needs and problems to justify their requesting higher funding from Congress in fiscal 1986 than you provided in 1985.

Despite their admitted unfamiliarity with legal services history or issues, however, a majority of the Board immediately voted to cut by 21.6% programs serving Native Americans and Migrants and all State and National Support Centers. (Ironically, in LSC's FY 1985 Budget request, their predecessors asked that you increase Native American funding by 10%.) Their motives seemed well-intended. As stated in the consequent LSC Budget request to you:

> Although this request does not represent an increase in total appropriation, the Corporation intends to allocate the funds so as to provide a 4.6% increase in the amount going to the basic field programs . . . .

On the other hand, the disingenuity of the rest of their request is more suspect. It continues:

> . . . with a corresponding reduction in funds available for management and administration support and all other budget items.

Management and Administration would decrease from $11.283 million in 1985 to $10 million in 1986, about 11.4%. This would leave $35.6 million to fund "support and all other budget items" which are budgetted at about $45.5 million in 1985, a reduction of 21.6%, almost double the reduction of Management and Administration.

Native American and Migrant programs serve the populations perhaps most in need of protection from exploitation. The State and National support centers provide services to field programs which increase the effectiveness and economy of their service as their financial support and staffs diminish. Reduction in funding for these important parts of the legal services delivery system, nearly double that scheduled for LSC's management staff, seems hardly "corresponding." Most importantly, however, the new Board took this step without information from its staff, without reviewing exhaustive previous studies of these programs, and without hearing from representatives of the programs themselves.

Realizing after December 20 that their decision might have been percipitous, the new Board scheduled "hearings" about support and special client programs for their January, 1985 meeting. These hearings continued to February committee meetings. The Board will revisit its December, 1984 decision in March, 1985. Members seem to recognize that their initial hast could create long-term waste. Whether they also recognize the need for patient deliberations beyond March, 1985, however is problematic.

Though the new Board members may be well-intentioned, Congress needs to protect them -- and particularly also legal services programs and clients -- from a demonstrated urge to quickly reshape, on the basis of unstudied assumptions, a Corporation developed over a decade.

Moreover, the LSC staff's inexperience contributes to the Board's gropings. Few current Washington staff have more than three year's longevity. None has managed or served in an LSC grantee program. Few worked in any part of legal services before 1982. This inexperience contributes to unrealistic staff recommendations such as the "equalization" plan discussed in the next section.

B. Staff Allocation Schemes Would Reduce Total Services.

Corporation staff continue to promote funding equalization concepts which would destroy the delivery systems of about 20% of current grantees while little benefiting the remaining 80%. Additionally staff recommends funding redistribution every two or three years thereafter.

As with the new Board's hastily adopted approach to fiscal 1986 funding, the staff's motives seem well-intentioned. But their end-product ignores recent history and basic realities. Their intent is to reduce disparities in LSC grantee funding levels which resulted from pre-Corporation allocation decisions and from poverty population shifts between 1970 and 1980. Their proposed method assumes, however, that some grantees are "over-funded" and some are "under-funded." It ignores the fact that in 1985 only seven of 289 basic field grantees receive per-poor person funding greater than the "minimum access" level of $13.57.

More importantly, this approach ignores the significant progress towards equalization which the Congressional allocation formula achieved in 1984 and 1985.

Except for the highest funded two-dozen LSC grantees, the Congressional formula has reduced the per poor person funding difference by nearly 50%. The lowest funded field programs are within 9% of the national average.

Like private law firms, field programs which can add staff incrementally year by year can become eventually greater than the sum of their parts. After a few years they can provide geometrically more economical and effective service. A two or three year funding roller coaster would prevent such maturation. It would inhibit long term planning. In compensated, private attorney delivery systems the more experienced and able participants, whose dockets are usually pressed, would withdraw because of the uncertainty of their legal services' commitments. Though tri-annual funding redistribution theoretically might place limited resources more precisely where "need" exists, it would reduce LSC total national capacity to meet that need. Staff lawyers laid-off in Mississippi would not follow legal services funds to Florida. The Florida grantees would have to rely primarily on its law schools' newest graduates.

Congress should assure that LSC carefully thinks through all practical ramifications of alternatives to the funding equalization approach you have mandated in recent years before choosing any as its substitute.

C. The Corporation's Infatuation With Clinics

The Corporation's 1986 Budget Request says nothing about the accomplishments of its basic field grantee delivery system. Instead it devotes eight pages to a glowing account of five private bar clinic experiments. The account at best is largely fictional. At worst it is deliberately deceptive.

The "actual" cost and performance figures claimed are negotiated contract amounts. The "estimated" cost and performance figures are amounts which local legal service programs and bars thought local lawyers might be willing to offer before any requests for bids occured. They do not reflect the cost levels which staff programs could achieve if they themselves, provided contracted services in a clinical setting. Moreover, the "actual" costs figures do not include the costs to staff programs of screening service applicants for eligibility and problem appropriateness before referring them to clinical contractors. In Jacksonville, Florida, where these clinics first became operational, initial client intake and referral adds between 22% and 33% to the stated "actual" contract prices.

There is no evidence that current contractors would provide long-term services at the negotiated first-year prices. Indeed, evidence is contrary. In two sites, bidders intentionally accepted "loss-leader" amounts in hopes that they could attract stable, long-term financial support. In Des Moines one successful bidder hoped to use his LSC contract to build his private practice client base. In Jacksonville, SSI lawyers need 10-15 hours to complete cases for which they receive $125. They can barely meet their overhead costs at rates of $8.00 to $12.50 an hour.

Finally, almost all of the experimental contracts address needs which local program boards and client communities consider low priority. Consequently, if LSC were to move support of these clinics to the field base, it essentially would substitute national judgments for local priority setting, targetting scarce recources to less rather than more critical client needs. Indeed, the experiences of most of the field programs in these experiments' locales is that they could and would provide the same service more economically than the negotiated contract prices if the case categories were not, for the most part, such low priorities.

Reportedly, recently arrived Corporation staff shares our skepticism about these experiments. They are prepared to fund staff program comparative experiments. They would involve local programs and local Bars more closely in the choice of services to be contracted. They would include client intake costs in contract prices. Hopefully they also will develop standards for measuring the quality of services these clinics provide and the satisfaction of clients processed through them. No such standards yet exist.

These experiments have barely begun. The Portland one actually began serving clients in November, 1984. The clinics have closed few cases. Indeed, some referral rates are dramatically lower than the annual case type targets for which LSC contracted.

Congress should assure that these experiments continue only as such and should guard against LSC's apparent infatuation with their first five clinics resulting in percipitous, permanent preferences of such clinics over proven existing delivery systems. Your experience with the Medicare program suggests the wisdom of wariness.

D. The Corporation Continues An Unwarranted Fundbalance.

The Corporation's FY 1984 fundbalance was $5,853,000. This remained even after LSC made approximately $1.1 million in grants in late September, 1984 to three highly questionable new "national support centers." About $5.2 million of this amount came from "Program Maintenance and Improvement," "Program Development and Experimentation," and Corporation Management and Grant Administration, all expense categories over which LSC has complete, direct control. The 1984 budget for these lines totalled $17.74 million. The fundbalance was 29.3%.

At the end of FY 1983, the fundbalance from these same categories was $5.025 million against budgetted amounts of $14.428 million, a 34.9% balance.

Though present Corporation Board and staff members are different from those who created the excessive 1983 and 1984 fundbalances, their 1986 Budget request inexplicably projects a 1985 year-end fundbalance of $5.5 million.

For the past two years and again in February, 1985 P.A.G. has demonstrated to LSC's Board the critical need of field programs and their clients for additional operational funds, no matter how miniscule. We append to this statement our most recent recommendation to LSC's Board.

Congress should assure that LSC's Board expeditiously allocates its fundbalance to meet the needs of low-income citizens in the most effective manner possible.

E. Summary

The Corporation's 1985 Board is new. Its staff leadership is somewhat different from 1984. Its Presidency is vacant. Consequently, the people most responsible for doing what one Senator described last year as ". . . the worst job of any agency with which I am the least bit familiar . . ." are gone. As yet, however, their replacements are unproven or not in place. The only certainty is that these newcomers have much history to absorb and to understand. They want to leave their marks on the Legal Services program. They have shown a tendancy already toward impatience and percipitousness.

Congress, then, must balance a natural desire to give newcomers a chance, plus your understandable frustration with micromanagement of this program, against the need to be sure that past mistakes are not repeated.

We suggest that you would do these newcomers a favor, and would eliminate any possible doubts about their wisdom and intentions, by assuring that they have sufficient time to develop a thorough understanding of legal services, to examine the myriad of unanswered questions about various delivery systems, to experiment with alternative uses of funds, and to state specifically their goals, their vision of the Corporation's future, and their preferred ways of achieving those goals and that vision.

If Congress specifically mandates the allocation of the funds you provide for fiscal 1986, whether or not these newcomers become LSC's first confirmed Board in many years, you will have done them, and the 50 million citizens they serve, that favor.

III. The Need of Legal Services Programs for Significantly Increased Funds.

Legal services has never been funded at any realistic level of need. There are probably about 37 million governmentally defined poor persons in the United States. There were 35.3 million when the 1980 census was updated in 1983. Congress has defined a funding goal of $13.57 per poor person, yet the funds allocated in 1985 to field programs amount to $8.43 per poor person, about 62% of that goal. This is certainly an inadequate sum with which to meet one's legal need for a year. The inadequate funding level is compounded by other factors:

(a) Our eligible client population (at 125% of the poverty line") in the 1980 Census was about 40,000,000 and probably is 50,000,000 now, which reduces annual per capita funding to $4.96; and

(b) Various surveys of the legal needs of the poor reveal that the typical low-income family experiences from one to seven or more serious civil legal problems each and every year.

In addition to the increase in the number of poor persons eligible for legal services, there has been a significant increase in the complexity and seriousness of the legal problems presented. The stakes are higher for our clients because eligibility for public benefits is often the difference for many families between making it and not. The consequences that befall an ineligible appliant rejected by a field program because of our insufficient resources are worse than ever. The legal system adds to that injury in another way in that poor people expend a much larger share of their income on food, housing and energy than do persons with higher incomes. Food, housing and energy are necessities of life. Food stamp eligibility, public housing evictions and utilities cut-offs are common legal problems for legal services programs. The "new" poor present many kinds of legal problems different from before, further straining resources -- examples are mortgage foreclosures, denial of farm loans, family breakups where division of property is critical, employers firing for cause to avoid unemployment compensation, social service agencies refusing eligibility.

In 1983 the Washington Council of Lawyers conducted a survey to measure the impact of reduced funding on the quality and scope of legal representation to the poor. The results of the survey are dramatic. They paint a dismal picture of the decreased ability of the legal services programs to provide full professional representation to eligible clients.

In summary, the Council concluded:

1. Legal services programs have actually suffered a greater loss in funding than the 25% reduction in LSC funds in 1982 would suggest.
2. The reduction in funding has not been made up

by the increased involvement of the private bar in the delivery of legal services.

3. Programs have lost an average of 30% of their staff attorneys and nearly a third of their non-attorney staff. A significant number of personnel lost were exceptionally experienced, productive and virtually irreplaceable.
4. Hundreds of thousands of poor people have been denied access to legal services because of the closing of offices, dismantling of specialized units and reduced access in rural areas.
5. Programs have been forced to handle primarily emergency cases and to reject categories of cases where the legal needs of the poor have increased because of the depressed state of the economy and changes in federal statutes.
6. The denial of legal services has exacerbated the sense of frustration and despair already felt by many poor people, creating either a sense of total resignation or total disillusionment with the American ideal of equal justice.
7. The scope and depth of representation that legal services programs previously provided has diminished because training and support for legal services staff have been drastically reduced at state, regional and national levels.

The addition in 1983 and 1984 of private lawyers _pro bono_ services to staff programs has helped relieve some of these strains. But in 1984 they numbered only 77,000 nationwide. New non-LSC funding sources also have potential, particularly states' Interest on Lawyers Trust Accounts (IOLTA) programs. But the example of one state, North Carolina, typifies this problem.

The service population in North Carolina numbers about 1.2 million people (at 125% of poverty.) Assuming that the general state-average family size of 3.2 people applies to this segment of the state's population, 375,000 families would be eligible for legal services. Current total LSC funding in North Carolina is $2.3 million short of providing two lawyers per 10,000 poor people ("minimum access.") But even if North Carolina's programs could make up that shortage from increased LSC grants, IOLTA, local and state public funds or private donations, they still could provide only about 170 staff lawyers. Those lawyers, along with effective use of non-lawyers, could serve perhaps as many as 25,000 of the eligible families. If additionally every licensed private lawyer in North Carolina volunteered to handle two cases a year, about another 22,000 families could have advice or representation. The resulting total of 47,000 families would be only 12.5% of those eligible.

Attracting $2.3 million of non-LSC funds and 100% private bar assistance pro bono are very large "ifs." Hopefully, the need for services annually in North Carolina is significantly lower than the national average 20% rate which the American Bar Foundation projected in a study some years ago. However we view potential levels of demand and the resources needed to meet it, the result is dramatic. Potential need is huge. Potental resources are small.

IV. The Goal of Minimum Access

In view of the mammoth unmet need, Congress' historical goal of appropriating enough federal funds to provide two lawyers for every 10,000 poor people is modest indeed.

In enacting the appropriations legislation for fiscal 1984 and 1985, Congress reaffirmed its support for the original LSC funding goal to provide at least two attorneys per 10,000 poor persons nationwide. Congress also acknowledged that current economic criteria justified an allocation of $13 per poor person in 1984 and $13.57 in 1985 to satisfy this minimum access concept.

Constrast the availability of two attorneys per 10,000 poor people with the 20 attorneys per 10,000 persons in the population as a whole, or the 28 attorneys per 10,000 non-poor persons.

In requesting an appropriation of $373 million, the Project Advisory Group seeks to continue the efforts to attain minimum access. In light of the critical needs of our client community, we could urge a return to the minimum access goal by 1987, because in our fiscal 1985 request we urged a three year approach to this goal. However, we acknowledge that a two year approach still is fiscally and politically unrealistic and that a three-year approach remains more reasonable. Such a plan, including an inflation factor of 3.6%, would support an increase in the first year of $68 million for a 1986 appropriation of $373 million.

An appropriation of $373 would create a $304 million field base, an average of $10.28 per poor person. Continuation of Congress' 1984 and 1985 funding formula would assure that funding to non-census based poverty populations such as Native Americans and Migrants increases proportionately. Likewise, the state and national support programs, whose assistance is so critical to field programs' economical and effective delivery of services, would expand to meet field programs' increased demands.

The resulting total appropriation would be 16.2% higher than that which Congress provided LSC in fiscal 1981. Of course, inflation has grown a greater amount since then; and the poverty population increased by 19.7% between 1980 and 1983. But the increase we request would be a modest, reasonable step along the road back to "minimum access."

We realize that appropriations for the Legal Services Corporation are subject to the sacrifices demanded of us all because of the economy. But if Equal Justice is to be a principle of value in our society rather than a token to which we pay lip service, there must be a continued commitment to gradual growth for the program.

V. Conclusion.

In continuing to support a legal services program which others would abolish you have maintained an institution of which you can be proud. The staff, volunteer, and partially compensated private lawyers helping low-income people throughout America are professional, high-quality, and, most important of all, effective.

Despite administrative problems at the national level which caused one Senator last year to suggest the need for a "thorough house cleaning," dedicated local staffs, Boards and private lawyer allies have kept up their efforts to assure that, in Judge Learned Hand's often quoted admonition, American does not ration justice to its poor. Justice is not merely an inspiring ideal. It is something which must be done daily. The funds Congress provides the Legal Services Corporation help assure that it gets done -- daily -- in all corners of America.

MEMORANDUM

TO: All Members Board of Directors, Legal Services Corporation

FROM: Terry Roche, Co-Chair PAG Funding Criteria Committee

Terry Roche

DATE: February 11, 1985

RE: FCC Recommendations for Use of LSC's FY 1984 Carry Forward Balance

At your December 20, 1984 meeting you requested that field programs recommend to you ways of using the Corporation's 1984 fund balance in 1985. The PAG Funding Criteria Committee has surveyed programs in almost every state and has discussed a variety of ideas which they suggested. The PAG Executive Committee has endorsed the FCC's resulting recommendations. Our recommendations are the following:

1. That LSC provide the National IOLTA Clearinghouse funds sufficient to continue its current operations through 1985; and

2. That the remainder of the 1984 fund balance be distributed to current LSC grantees as set forth immediately below.

Distribution Recommended

The FCC calculates the total funds available for reprogramming in 1985 as nearly $5,180,000. (See Appendix A for an explanation of our calculations).

We understand that LSC already has committed $80,000 to the IOLTA Clearinghouse for the purpose we recommend above. This would leave $5,100,000 to be distributed to current LSC grantees.

We recommend that the balance be distributed to LSC grantees as follows:

Basic field programs:	4,497,000
Native American programs:	135,000
Migrant programs:	169,500
Nation Support (except the three newest grantees):	142,500
State support:	156,000

This distribution divides the total funds available for reprogramming into amounts (rounded to thousands of dollars) which reflect the percentage shares of the total annualized LSC funds which these grantee groups received in 1984.

We further recommend that LSC distribute these funds to all Basic Field grantees using the "fill up the cup" allocation formula described in Appendix B.

Reasons for Recommended Distribution:

We recommend that LSC provide carryforward funds to the National IOLTA Clearinghouse because it has provided extraordinary leverage of a small LSC grant to develop the most potentially beneficial source of non-LSC funds for LSC grantees. It is an extremely important program which should be continued until all states have begun implementation of IOLTA.

We recommend that LSC distribute to grantees all of the remaining money available for reprogramming for three reasons. First, the national poverty population in 1985 is nearly 20% higher than it was in 1980. Second, additional movement towards "equalization" of all field program funding is desirable. Finally, programs have such a wide variety of current needs that "earmarking" of funds for any purpose at a national level will not efficiently meet them.

The 1980 national poverty population upon which LSC bases its current distribution to basic field programs was approximately 29.5 million. It rose to 34.4 million in 1982 and to 35.3 million in 1983. Even assuming no further increase in 1984, the poverty count is 19.7% higher than in 1980. Field programs sorely need additional capacity to meet this new demand, as well as to repair serious resource erosion since 1980. Support centers, which serve to make field programs more efficient and effective, also need to add capacity to serve their ever more thinly stretched field program clients.

Delivery experiments begun in 1984 eventually might meet some of this need. But most such projects began serving clients only late in 1984 and are not likely to deliver services in their first "shakedown" year as economically and effectively as experienced, staff grantees. Moreover, if LSC decides that the experiments begun in 1984 warrant any additional, one-time grants, you can make them from nearly $5 million in 1985 "Program Development and Experimentation" funds. Indeed, the Corporation's historical practice has been to use program development or experimentation balances from one year to fund direct delivery in the next. We urge you to follow this precedent in FY 1985 to assure that money remaining from FY 1984 serves the needs of the increased poverty population as economically and effectively as possible.

We also recognize the need for a greater capacity to provide legal services in the geographic areas where poverty populations have increased since 1970. Many of you have voiced great concern about this need. Using the "fill up the cup" allocation formula to distribute 1984's reprogrammable funds will enable you to partially meet this concern during 1985. About 54% of these funds would go to the 134 grantees funded in 1985 at $7.80 per poor person, providing them an average increase of $20,400. Another 14.8% would go to the 54 grantees funded in 1985 between $7.81 and the national average of $8.43 per poor person. Consequently, by adopting our recommendation you would use more than two-thirds of the available money to provide additional services in areas currently funded under the national LSC average.

Though these funds are only one-time and not annualized, you would not risk grantees overextending themselves if you increase annualized funding in 1986 by 4.6%. The one-time grants would not exceed 2.2% of any recipient's 1985 annualized level. In effect, you would create in 1985 a portion of the equalization you presumeably desire in 1986. You should seize this important opportunity.

Certainly addressing, at least partially, needs of the increased poverty population and the need for geographic funding equalization are important goals. Our third goal is equally important. The reprogrammable money can help programs meet unique, one-time costs which will repair ravages of past budgets or otherwise will help assure grantees' future health.

The most remarkable conclusion of our Committee's survey of program needs was their wide variety. Many older programs desparately needed to replace worn capital equipment. Newer ones had no such need at all. Some programs identified high priority needs for assistance in developing local sources of alternative funding. Others felt they already had made every possible effort. The sole need common to everyone was resources to meet more client demand.

In the past four years, field programs frequently postponed scheduled equipment replacements or additions to avoid further personnel reductions. They tended to cut training programs to absolute minimums. They ceased hiring summer clerks, even though such clerkships often were the best means of recruiting future legal staff.

Grantees which received large amounts of new funding in 1984 and 1985 have begun to restore some of their previously foregone equipment or training costs. But many of these programs still receive funding below the national average. Consequently, if they purchased new equipment or funded the large amounts of training necessary for new legal staff, they hired fewer new staff than the increased funds might have provided. They still dearly need that new staff.

Finally, some programs realize that their long-term health requires use of resources for developing new funding sources alternative to LSC. They are forced to choose between meeting current client demand and trying to build their futures. A modest, one-time grant would eliminate that difficult choice.

Grants from one-time funds can meet these and other needs, giving programs the ability to conserve annualized resources for maximum service delivery to clients. The grants we propose would enable local programs Boards to direct the Corporation's fund balance to their programs' most pressing local needs, be they capital expenditures, training, resource development or direct client service. You would obtain the biggest possible "bang" for these previously unused "bucks."

We ask you to discuss our recommendation at your February meeting. We strongly urge you to adopt it for distribution of the 1984 LSC fund balance. Thank you.

APPENDIX A

Funds Available For 1985 Reprogramming:

The Corporation's 1984 audit shows the following funds as carried forward to FY 1985:

Federal Appropriation:	$5,385,140
General Funds:	468,031
Total cash fund balance:	$5,853,171

We understand that LSC has recovered approximately $20,000 from field programs for various reasons since September 30, 1984. Moreover, additional interest of approximately $10,000 accumulated to the General Funds between September 30 and December 31, 1984. Consequently, the gross balance available for reprogramming at January 1, 1985 should be about $5,883,171.

The LSC September 30, 1984 Consolidated Operating Budget Worksheet shows the sources of the Federal Appropriation fund balances. Additional staff memos identify some of these balances as delayed payments from, or other commitments against, 1984 annualized grants. These would reduce the balance available for reprogramming. The remainder of the total balance comes from non-annualized grant lines or from administration. The following table displays the sources and comitments:

		Balance per 9/30/84 C.O.B.	Balance committed	Balance Reprogrammable
I.A.1.	Basic Field Programs	44,251		<36,998>
	Tri-Parish Interim		70,879	
	Michigan Legal Svcs.		10,370	
I.A.2.	Native American Pgms.	78,721		-0-
	White Mtn. Apache		35,000	
	Expansion Pool		43,721	
I.A.3.	Migrant Programs	<180>	-0-	<180>
I.A.4.	Client Training	3,423	-0-	3,423
I.B.2.	State Support	245,947		-0-
	Western Ctr. 1984		245,947	
I.C.1.	Nat'l Clients Council	161,485	161,485	-0-
I.D.*	Program Maintenance & Improvement	327,968	-0-	327,968
I.E.*	Program Development & Experimentation	2,442,745	-0-	2,442,745
I.F.	Regional Training Centers	136,157	136,157	-0-
II.A.*	Office of Field Services	1,128,042	-0-	1,128,042
II.B.*	Management & Administration	463,061	-0-	463,061
	1984 Accruals (Adjustments)	353,517	-0-	353,517
	1985 Accruals			30,000
	1984 General Fund Balance			468,031
	TOTALS	$5,385,137	$703,209	$5,179,962

*NOTE: Funds in these lines support non-annualized grants or LSC Administration.

The distinction to remember between annualized and non-annualized or administrative funds is the different nature of their "commitment." Funds payable by annualized grants from any fiscal year are legally "committed" from the fiscal year in which they are made and are renewable in subsequent years unless LSC defunds any particular grantee.

One-time grants or contracts are for a certain, specific amount. If LSC does not expend the entire contract amount in any fiscal year, the amount unexpended is a "fundbalance" to the Corporation for that fiscal year. Though the remainder of the contract price may be a "commitment," it is not the same as a commitment of unpaid annualized grant funds. The contract is not automatically renewable in the next fiscal year. Consequently, funds for the subsequent fiscal year, which themselves cannot be committed for new contracts until that year's beginning, are used to support "committed" contract costs from the previous fiscal year.

For example if LSC enters into a contract for a year of services beginning April 1, of one year, good accounting practices require that only one half of that contract's cost be budgeted in that fiscal year. The half of the contract for services to be performed from October through the following March is budgetted in the next fiscal year.

Consequently, if non-annualized contracts begun in FY 1984 were not full performed in that year or envisioned payment for services in FY 1985, those costs should be budgetted against the appropriate FY 1985 budget lines. They should not be considered as "commitments" which reduce FY 1984's reprogrammable fund balance.

APPENDIX B

The "Fill Up The Cup" Formula

We know that making basic field program funding more equal is one of your chief concerns. We share it. We know also, however, that few programs currently receive enough funding to meet even the minimum needs of their client populations. We feel strongly that no programs should suffer cuts in order to increase other programs' support. That is why we devised some years ago the "fill up the cup" allocation formula which has comprised a portion of the Congressional funding formula in recent years.

The formula provides grantees funds equalling the same percentage of the difference between their current funding levels and $13.57 per poor person ("minimum access" in 1985).

If a program's 1985 annualized level amounts to $8.07 per poor person, its difference (or "gap") from $13.57 is $5.50. If another's is $10.57 per poor person, its "gap" is $3.00, etc.

To "fill up the cups" of all programs at any particular time, we divide the total amount of funds available to do so by the total funding needed nationally to bring all field programs to minimum access. That amount in 1985 is $152,894,974. The amount available for distribution to field progrms from 1984 carryover is $4,497,000. Consequently, the percentage of gap to be "filled" is 2.94.

Returning to the example of the two programs above, and assuming that both had poverty populations of 100,000, we calculate their distribution of 1984 carryforward as follows:

	Program A	Program B
Minimum Access	$13.57	$13.57
1985 annualized grant	8.07	10.57
"Gap"	5.50	3.00
Common % "filled"	x .0294	x .0294
Additional $ per poor person	0.162	0.088

	Program A	Program B
Poverty population	100,000	100,000
Resulting Grant	$16,200	$ 8,800

(If this increase were annualized, the two programs would become consequently more equal in total funding. Program A would move from total funding of $807,000 to $823,200. Program B would move from $1,057,000 to $1,065,800. The difference between them would decrease by about 3%. Neither would lose funds, and both would move toward minimum access.)

"Fill Up The Cup" would provide some carryforward funds to every field grantee except seven census-based programs whose annualized 1985 funding exceed $13.57 per poor person and three non-census based programs which exist in cities where LSC grants in 1985 exceed $13.57.

NOTE: Calculating the additional amount needed to bring all programs to minmimum access:

1980 Poverty Population	28,447,461
	x $13.57
Total Min. Access Funding 1985	$399,602,046
LSC Field base funding 1985 less $ over minimum access	$248,482,187
census-based	<1,200,176>
non-census-based	< 574,939>
At or below min. access 1985	$246,707,702

Additional needed to obtain nationwide minimum access:

access	$399,602,046
	<246,707,702>
	$152,894,974

FATE OF LEGAL SERVICES CORPORATION

Senator RUDMAN. I have worked with your group for the last 4 years, and we have made a lot of progress. I have to tell you I am undecided in my own mind as to what we ought to do in terms of—not the funding—but in terms of the continued management of the Legal Services Corporation by the Congress. I really truly believe in separation of powers. There are times when we have to cross that line, but I have had a number of meetings with board members who have tried to make sure they understood our concerns. I think there is a concern shown by a number of people. I don't know what our position will be, what my position will be on those affirmed riders. I really would like to give these people a fair chance of running their own show, assuming they understand what the law says and I think they do. Time will tell and we appreciate your testimony.

Mr. Landry, we also appreciate your testimony. If you have other information you wish to submit, you may. The record will be open for several days.

SUBCOMMITTEE RECESS

This will conclude our hearing, and the subcommittee will stand in recess until Wednesday, March 20, when we meet with the Secretary of Commerce and the International Trade Commission.

[Whereupon, at 10:45 a.m., Wednesday, March 6, the subcommittee was recessed to reconvene Wednesday, March 20, 1985.]

MATERIAL SUBMITTED SUBSEQUENT TO THE HEARING

[CLERK'S NOTE.—The following statements, submitted subsequent to the hearing, will be inserted in the record at this point.]

PREPARED STATEMENT OF JAMES E. GAFFIGAN, EXECUTIVE DIRECTOR TRAVEL AND TOURISM GOVERNMENT AFFAIRS COUNCIL

March 18, 1985

Dear Senator Laxalt:

As your Subcommittee on Commerce, Justice, State and Judiciary holds appropriation hearings on FY '86 matters, we wish to inform you for the record of our opposition to the recommendation of the Office of Management and Budget, aimed at eliminating the United States Travel and Tourism Administration (USTTA).

Since 1961, when the United States Travel Service (USTS) was created by the Congress, there have been six attempts by various Administrations to eliminate the agency. Fortunately, the Congress has recognized the important role which USTS, and now its successor the USTTA has played in the national interest by funding the agency each year.

In the past two years, through the wisdom of this Subcommittee, the USTTA has been provided with needed funding to begin developing important cooperative and support programs which enhance the effectiveness of city and state promotion of U.S. destinations. (See Appendix 1) At the same time the private sector, working with USTTA, has developed a marketing plan to assist the agency to more effectively develop cooperative advertising programs.

While it is apparent that the strength of the U.S. dollar has caused problems for exporters, international travel to the United States in 1983 accounted for $11.4 billion in export receipts, $14.4 billion when airlines passenger receipts are included, generated 251,000 jobs, and provided the nation with $731 million in tax revenues.

International travel dollars have also benefited a number of states as witnessed by our Appendices 2,3 and 4.

Presently, two Senate USTTA authorization bills have been introduced; S.193 by Senator Inouye (D-HI) and S.374 by Senator Pressler (R-SD). These bills have been referred to the Commerce Committee's Subcommittee on Business, Trade and Tourism. The industry plans to present its views in more detail, and in support of these measures at hearings which we expect will be called soon.

We are most grateful to you and the Subcommittee for your concern and support of the USTTA program in the past, and urge you to continue this activity which has proven to enhance the Government's ability to create jobs and increase needed revenues.

Sincerely,

James E. Gaffigan
Executive Director

APPENDIX 1

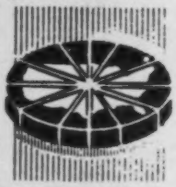
(FROM THE WALL STREET JOURNAL, FEB. 26, 1985)

Foreign Tourists Are Wooed To Take Roads Less Traveled

By JOANN S. LUBLIN
Staff Reporter of THE WALL STREET JOURNAL

GRAPEVINE, a Texas town of 20,000 people, hardly rates as a mecca for foreign tourists. Yet Robert Phillips, its visitors' bureau chief, eagerly seeks them by traveling to Japan, Britain, Mexico and other nations. Grapevine's attractions: a country-music show, two hotels—and an area that includes a big chunk of the Dallas-Fort Worth International Airport.

From little burgs like Grapevine to big industrial states like Ohio, unlikely places are hunting harder for foreign visitors. Government officials push airport convenience, bargain package tours, ethnic ties or local cultural and recreational amenities. The newcomer cities and states follow the international promotion lead set long ago by Florida and other popular destinations.



For years, "we sat on the Eastern seaboard, watching the traffic go by from New York to Washington," says Paul Decker, tourism vice president of Philadelphia's Convention and Visitors Bureau. "We felt the time was right to step into the picture in an aggressive, assertive way."

It's a tempting picture. The U.S. Travel and Tourism Administration says that the 21.7 million foreign travelers who visited here in 1963 spent $13.9 billion and generated 312,800 jobs. And while the strong dollar may deter some foreigners this year, travel officials hope that the multitude of cheap international air fares and the improving world economy will increase the visitor flow even more.

As a stimulus, the budgets of state travel offices have more than doubled since 1979 to $189.4 million in the current fiscal year. States' advertising and promotion abroad have climbed to $3.9 million this year from $1.5 million in 1979, reports the U.S. Travel Data Center, a nonprofit research group.

OHIO TYPIFIES the intensified international tourism efforts of heartland states. As it attracts more Japanese visitors on business trips, the state hopes to get them to extend their stays and maybe bring their families along, too, explains Marilyn Tomasi, Ohio's travel and tourism manager. The pitch isn't aimed at getting pure vacationers; "If they're just coming for pleasure, they're going to go to Hawaii," Ms. Tomasi concedes.

She and her colleagues seek to find "the hook, the hot button" that would persuade a Japanese executive to spend more time in Ohio. One lure: the state's many golf courses. To boost Japanese awareness of Ohio, the state's economic development office in Tokyo recently added tourism marketing to its duties. And last June, tourism officials from Ohio and six other Great Lake states staged their first Japanese "trade mission," complete with news conferences and receptions for tour operators.

Pennsylvania tries to capitalize on European fascination with the Old West and country music—even though the state has few connections to either. On a trip to England last year, the state travel development director, Chris Umble, persuaded one tour operator to include a stop at the Gettysburg, Pa., Civil War battlefield on a 1986 "Country Western" tour headed to West Virginia and elsewhere.

The international visitors' market "is so different that you have to approach it in a new way and make appeals to special-interest groups," such as country-western aficionados or sports fans, Mr. Umble notes.

MINNEAPOLIS-ST. PAUL tried an approach like Pennsylvania's last fall, but its efforts to promote cultural tours fell flat in three European nations. The tours, featuring the Twin Cities' opera and numerous live theaters, weren't "a high-sell item because Europe probably has more opera than we do," says Robert Thomas, executive director of the Minneapolis Convention and Visitor Commission. And language difficulties made the theaters less appealing, travel agents told Mr. Thomas.

The lack of attractions that are easily marketed abroad is only part of the problem facing less-popular localities. The typical foreign traveler "thinks of the country as two coasts, the East Coast and the West Coast. He thinks there's nothing in between," says Susan Edwards, South Dakota's travel director. Her state has initiated some international promotion but it still attracts a mere 108,000 foreign visitors a year.

Many areas newly interested in luring international tourists "are groping," contends Henry Reigner, a top staffer at the Travel and Tourism Administration. "They don't know how to go about doing it." He thinks states and cities should map long-term, targeted marketing strategies. Currently, he says, they lack an understanding of where their foreign visitors come from, their travel habits and spending preferences.

THE FEDERAL TOURISM AGENCY says it is trying to help. For the first time, it offered states and cities detailed marketing information at a Washington, D.C., conference earlier this month. The agency also announced a $1.3 million advertising campaign in West German magazines, its first major drive for international tourists since 1978.

But the campaign, which is to start in late summer, could be short-lived. The White House has targeted the 24-year-old tourism agency for abolition, contending private industry easily could take over the task of selling America abroad.

But area tourism chiefs attending the conference disagreed. Some said that their resources are too limited and the travel industry's interests too narrow to be adequate substitutes. Complained Stephen Richer, executive director of Nevada's Tourism Commission: "It's absolutely insane to expect anybody but the federal government to have the major presence in the foreign market."

APPENDIX 2

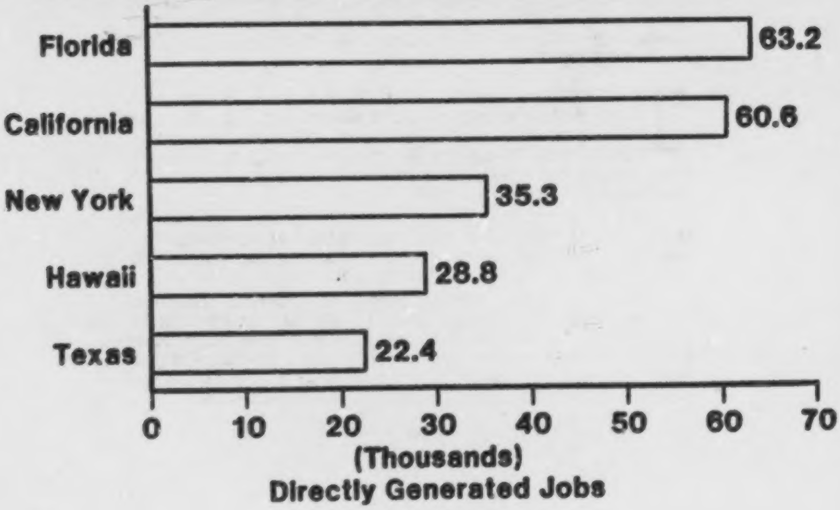
1983 INTERNATIONAL TOURISM RECEIPTS TOP 10 STATES

FLORIDA	$$$$$$$$$$$$$$$$$$$$$$$$$	$2.65 BILLION (19% OF TOTAL)
CALIFORNIA	$$$$$$$$$$$$$$$$$$$$$$$$$	$2.63 BILLION (19%)
NEW YORK	$$$$$$$$$$$$$$$$	$1.57 BILLION (11%)
HAWAII	$$$$$$$$$$$	$1.17 BILLION (9%)
TEXAS	$$$$$$$$$$$	$1.11 BILLION (8%)
ARIZONA	$$$$	$ .35 BILLION (3%)
NEVADA	$$$	$ .31 BILLION (2%)
WASHINGTON, D.C.	$$$	$ .29 BILLION (2%)
MASSACHUSETTS	$$$	$ .27 BILLION (2%)
ILLINOIS	$$$	$ .23 BILLION (2%)

SOURCE: USTTA

APPENDIX 3

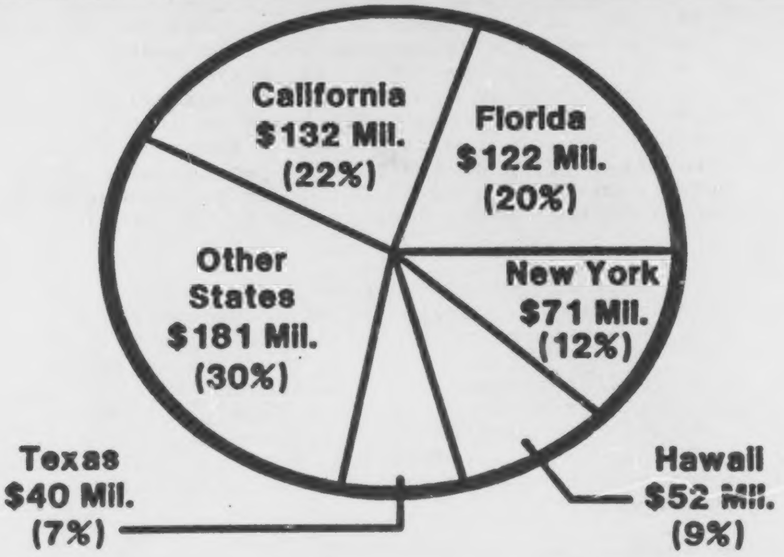
FOREIGN TOURISM - GENERATED EMPLOYMENT IN SELECTED U.S. STATES - 1983



SOURCE: USTTA

APPENDIX 4

STATE TAX REVENUES GENERATED BY FOREIGN VISITOR SPENDING, 1983



Total State Tax Receipts: $599 Million

SOURCE: USTTA

PREPARED STATEMENT OF THE SOCIETY OF AMERICAN FLORISTS

The Society of American Florists is a trade association which represents the entire floral industry. The society has more than 8,000 members, including growers, wholesalers, retailers and 144 floral industry trade associations whose memberships comprise an additional 22,000 businesses.

This testimony also represents the views of Bedding Plants Incorporated, an affiliate member of SAF. Bedding Plants Incorporated is a national growers association representing approximately 4,000 floral industry members.

The entire floral industry is concerned because budget cuts to the Census Bureau's Agriculture Division have forced the Census Bureau to eliminate the Horticulture Specialties Report, which would have been released in late 1989. The Horticulture Specialties Report is the only comprehensive report on United States horticulture available. Economic statistics contained in the report are essential to the floral industry's ability to function efficiently.

The Horticulture Specialties Report is unique and cannot be duplicated by private sources. By law, growers in the horticulture industry must report the information required by the census every ten years. The data collected by the census takers is objective, confidential, and more reliable than data which could be gathered through private industry efforts.

Statisticians at the census bureau possess knowledge and years of specialized experience that exist no where else. The census statisticians break the information down into categories of horticulture specialties by regions and states. This information enables industry analysts to make industry comparisons and predict industry trends. Accurate and complete production figures can only be generated by the Horticulture Specialties Report. No other government or horticulture industry report contains such complete and accurate data.

In fact, only one other government report pertaining to floriculture industry production exists--the annual Floriculture Crops Report published by the Department of Agriculture. The Floriculture Crops Report is an annual report of production figures for selected and specific crops in twenty-eight states. However, participation in the survey is voluntary and only operations with gross sales of $10,000 are invited to participate. Therefore the Floriculture Crops Report is not as comprehensive as the Census Horticulture Specialties Report.

Acknowledging the horticulture industry's need for statistics, the Department of Agriculture just reissued the Floriculture Crops Report this year after a two year lapse. The report had been cut to save money, but the lack of data created such uncertainty in the industry that the USDA reinstated the report.

It is disheartening and counter productive for the industry to persuade one government agency of the need for horticultural statistics, only to find that we've lost the only other data base we had for comparisons. It's like being given a tough steak to eat with only one knife or one fork, but not both.

Without the Horticulture Specialties Report, the floral industry can only guess at the extent of its growth. The horticulture industry has made significant strides in the seventies, moving from a 1/5 billion dollar industry in 1970 to a 1 1/2 billion dollar industry in 1979. We estimate that wholesale floriculture in 1988 could be a $4.8 billion business, translating to over $10 billion at retail. This would mean the industry has more than tripled its growth in the last ten years. This does not count the services associated with flower sales, containers, ribbons, credit, delivery, design work, etc.

Floriculture is generating new business, new jobs, increased usage, and very positive economic activity. The industry provides exceptional growth opportunities for family businesses. According to U.S. personal consumption expenditure figures, consuner expenditures for flowers, seeds and potted plants increased by 28.5% from 1980 to 1983. Yet even the increasing per capita consumption is still very low; about one foliage plant per person per year, and even less for flowering plants and cut flowers. Even per capita consumption of a plant as popular as the Poinsettia is only 1/5 of one plant per person per year.

Such a growth oriented industry must have accurate statistics so future growth will not be haphazard. Without proper guidance, some growers will fail because they will plant the wrong crops or set up operations in the wrong part of the country. Failure can be avoided with proper planning based on accurate statistics which can only come from independent, official, third party sources such as the Census Bureau.

The industry must have statistics to make healthy, informed business decisions. A grower must be able to ascertain where there is room for growth and where the market is so competitive he would be better off planting some other crop. Growers must also be able to evaluate which crops will be in demand and which will not. Retailers and wholesalers must be able to plan market strategies knowing which crops will be available and making informed judgments about expected prices. Only through the use of appropriate statistics can the businesses in the industry expend their efforts with relative confidence that their efforts will yield maximum profits.

American growers must compete with imports in the domestic markets at the same time they are investigating foreign markets for export. Statistical uncertainty makes competition with foreign producers more difficult. A national on-going picture of the industry is essential to plan market strategy in a competitive market.

Educators and Researchers who serve the industry use the census data to help them analyze the direction of the industry. Universities and trade schools need the data to devise curricula and training programs that would meet the needs for an expanded labor force.

According to the 1978 Horticulture Specialties Report the floriculture industry accounted for 223,000 workers. Without the Horticulture Specialties Report, the industry can't tell you how many people are employed now. Lack of present data will make it impossible to estimate how many workers will be employed in the future. Economic statistics would help the industry prepare to absorb new workers and enable the trade schools to develop the training programs which will be needed.

Every Congressional district contains florists and many contain grower operations employing dozens of people. The horticulture industry pervades many aspects of American life. With 82% of all households engaging in some kind of horticultural pursuit in 1983, gardening ranked as the nation's number one outdoor leisure activity according to a gallop poll. The three most popular outdoor activities--lawn care, flower gardening and vegetable gardening--ranked ahead of all other forms of outdoor leisure activities including exercise, fishing, bicycling, camping and jogging.

Horticulture is a very real consumer issue. It is also a small business issue and, of course, it is an agricultural issue.

Other food and fiber agricultural commodities have government statistical reports available to them as a matter of law. The floriculture industry is an important and thriving segment of agriculture and deserves the same consideration. Our growth record appears to be phenomenal and our potential enormous because we are not dependent on stomach capacity. We need the means to track that growth accurately so that we can realistically understand what has happened, is happening, and what might happen.

The floriculture industry must have access to economic figures if it is to function efficiently and competitively both at home and abroad. The Census Bureau's Horticulture Specialties Report is a legitimate, worthwhile government program. Any funds expended on the report would have a significant rate of return for the government because of increased industry profitability. Please appropriate the required funds to have the Horticulture Specialties Report reinstated into the Census Bureau's budget.

In order for Census to be able to complete the report, $1.6 million must be appropriated through 1989. In 1986, the Census Bureau requires about $100,000 to do preliminary work on this report. Fund the Horticulture Specialties Report so that the horticulture/floriculture industry can achieve its full potential as a dynamic segment of the nations agricultural economy and the economy in general.

PREPARED STATEMENT OF JOHN MARTIN

My name is John Martin, This is a statement on the 1986 budget request of the Equal Employment Opportunity Commission. On February 27, 1985 Chairman Clarence Thomas testified that "we have been able to make certain that all funds appropriated for the Commission are utilized in the most effective manner to fulfill the responsibilities given to the Commission by Congress."

Mr. Chairman and Members of the Subcommittee, the EEOC has NOT made certain that all funds appropriated are utilized in the most effective manner.

In my testimony to this committee last year (Senate Hearings before the Committee on Appropriations FY 1985 P. 194-199) I presented findings by two Federal District Courts that the Commission had violated the very laws it was created to enforce.

In last year's hearings, Chairman Thomas was asked why did a court have to make these findings and why didn't EEOC investigate the case and resolve the matter first? The EEOC did not answer that question. because the Commission violated the law and the public policy of the United States and then forced victims of its unlawful conduct to undergo an expensive and protracted legal process to secure relief from the courts.

The Commission in its treatment of my case in the administrative phase and in U.S. Court in Boston has expended (by a conservative estimate) several hundred thousand dollars in salaries of EEOC personnel who have compiled a record that is in EEOC's own description "four linear feet of files and records."

Last year Chairman Thomas was asked by a Member of the Subcommittee "Given all of the above (court findings) why should you receive any additional monies until we receive proof of major reforms?"

Mr. Chairman and Members of the Subcommittee, the Commission is continuing to squander limited appropriated funds not only in its handling of my case but in its handling of the cases of a substantial number of other individuals like myself.

I would respectfully submit that the Subcommittee refrain from granting additional monies to the Commission until the Commission offers proof of compliance with not only the letter but the spirit of the law and public policy of the country.

PREPARED STATEMENT OF WILLIAM K. QUARLES
PRESIDENT
CALIFORNIA-ARIZONA CITRUS LEAGUE

My name is William K. Quarles and I am President of the California-Arizona Citrus League ("The League").

The League is a voluntary, non-profit trade association composed of marketers of California-Arizona citrus fruits. Members are farmer cooperatives and independent shippers of over 75% of the fresh citrus fruit produced in Arizona and California. These growers produce oranges, lemons, grapefruit, tangerines and limes.

The League once again appreciates the opportunity to present its views on a matter of industry concern, namely the need to preserve the Fruit Frost Forecast and Advisory Service Program. Freezes and near freezes last year in the various citrus producing states should dramatically underscore the importance of a quality and reliable agricultural weather forecasting service. The Fruit Frost Program, administered by the National Oceanic and Atmospheric Administration, provides citrus and fresh fruit and vegetable growers in California, Arizona, Florida and Texas with detailed site-specific minimum temperature forecasts and other advisory services that support implementation of measures for avoiding or lessening frost damage to crops. While "zone forecasts" issued by the nearest National Weather Service forecast office for the areas involved include both maximum and minimum temperature projections, such forecasts are not site-specific and thus, are of marginal use to farmers now served by the Fruit Frost Program. For example, in parts of California and Arizona, a great many variations of climate can occur over a small land area due to distinct changes in the topography. With site-specific forecasts, growers would have the advanced warning needed to determine if and when frost equipment would be required.

The Fruit Frost Program is staffed with trained agricultural meteorologists who monitor conditions which could damage crops. Information is gathered on a very detailed basis--often down to the square mile--and is disseminated to interested persons through television, radio and telephone recorders. For example, the California Fruit Frost Service is able to cover those areas where frost sensitive crops are grown, through a network of eight regional and nine district offices stretching from the Northern Sacramento Valley to the Mexican border. Of the $15 billion agricultural production in California, over $1 billion is frost sensitive. The estimated annual crop-less savings in California alone approaches $70 million.

The National Weather Service estimates that there are approximately $1.6 billion in weather-related crop losses each year. In addition, weather impacts other areas of agriculture by causing reduced yields associated with plant and animal diseases, insects, pollution and water use. These additional weather-related losses are estimated by the National Weather Service at $9 billion annually. While these losses cannot be avoided entirely, it is possible to reduce agricultural losses significantly through better forecasts and information.

The Fruit Frost Forecast and Advisory Program in California has been in existence for over 60 years, serving many segments of California agriculture. Program audits have shown that of all the weather service programs, (which provide an estimated return of $20-30 in crop and livestock savings for every dollar spent) the Fruit Frost Program has one of the highest cost-benefit ratios. Additionally, the Fruit Frost programs provide much more than minimum temperature forecasts. It provides complete weather advisory forecasts to the agricultural community. It also provides information on spray and dusting weather, winds, high temperatures, humidity, rainfall, rainfall amounts, and orchard dry times.

The National Weather Service Fruit Frost Program, in cooperation with various state weather service programs, has been successful and cost effective. For example, the National Weather Service and the Central California Weather Watch program have cooperated to prevent significant losses in the citrus industry. (See attached letter.)

The information provided by the Fruit Frost Program is also of importance to the various Integrated Pest Management (IMP) programs which have been implemented in the past several years. An important factor in these IPM programs is accurate and timely weather data. Without good weather data, we cannot accurately predict insect and disease life cycles. Therefore, we cannot effectively time control measures where warranted.

The members of the League were distressed to learn that the Administration has once again proposed elimination of this vital program. The refusal to budget funds undoubtedly makes it difficult to maintain and recruit quality personnel. The League's members do not understand why this program continues to be targeted for elimination since the Congress has always seen fit to restore funding. The fiscal year 1985 appropriations bill restored funds for the program recognizing that the benefits produced by the program far exceeded its small cost. In addition, we continue to believe that it would be very difficult, if not impossible for this program to be operated by the private sector without an interruption in service. It must be remembered that even one year's break in service could prove disastrous to the agricultural community and the consumers of this nation. The successful operation of this program requires skilled personnel to conduct the forecasts together with the technical hardware necessary to develop the required data. Both of these items are not presently available in the private sector.

The League strongly urges the Committee to once again appropriate the funds necessary to ensure that this valuable program continues. We suggest that funds be appropriated for the program, at current levels, with the appropriate increases for inflation and employee benefits.

LETTER FROM KEITH HOWDEN

CENTRAL CALIFORNIA CITRUS EXCHANGE

April 1st, 1985

Mr. Bill Quarles
Vice President of Government Affairs
Sunkist Growers, Inc.
P. O. Box 7888
Van Nuys, California 91409

Bill,

The mutual efforts of the National Weather Service (NWS) and the Central California Weather Watch (CCWW) paid off in Tulare County during the past citrus frost season. The CCWW is a limited partnership of citrus packing houses. The equipmnet provided by the CCWW and used by the NWS meterologist helped to provide an enhanced service to area growers. By utilizing up to the minute satellite photos, remote weather stations, and acurate measurements from the base weather station, highly detailed forecasts and updates were provided to the citrus growers during the periods of threat to the crop. All of this equipment was provided by the CCWW. There were 35 frost nights during the past frost season, with lows down to 25 on several occasions. The updated forecasts made during the night-time hours on the 17 Frost Watch nights were instrumental in helping to prevent significant frost losses to the citrus crop.

The marriage of the NWS and the CCWW in Tulare County also brought about a continuous weather broadcast radio station, which replaced slow and unreliable telephone answering devices. The radio broadcasts can be received by growers anywhere in the County, even in their vehicles as they are involved in active protection. This radio station is licensed by the NWS and paid for by the CCWW. The updates through the night broadcast on the radio station allowed growers to tailor their frost fighting efforts to the latest weather information.

The enhanced weather services now provided to Tulare County growers could not have been accomplished by either the NWS or the CCWW working individually. However, with the NWS providing basic support and the meteorological expertise, combined with the assistance with equipment and funding from the CCWW, the highest level of meteorological services are now being provided to area growers.

Sincerely,
Keith Howden
Keith Howden

PREPARED STATEMENT OF CLYDE NEF

MANAGER, CALIFORNIA RAISIN ADVISORY BOARD

The California Raisin Advisory Board ("The Board"), under the auspices of the California Department of Food and Agriculture, oversees the state marketing order for raisins. The Board represents over 4,500 producers and processors of raisins, who account for 100% of the U.S. and 30% of the world production.

The Board takes an active interest in matters of vital concern to the raisin industry, including generic advertising, promotion and funding for research, and producer information programs. We appreciate this opportunity to present a statement for the record strongly supporting the continuation of the Fruit Frost-Agricultural Weather Forecast and Advisory Service.

For over 60 years, the Fruit Frost-Agricultural Weather Forecast and Advisory Service Program has provided the multi-billion dollar fruit and vegetable industry in California, Arizona, Texas and Florida with accurate, site-specific minimum temperature forecasts and other advisory services. Armed with these detailed forecasts in advance of a potential problem, growers are better able to take steps necessary for avoiding damage to crops. The "zone weather forecasts", provided by the National Weather Service cannot take the place of the Fruit Frost-Agricultural Weather Forecast and Advisory Service as these zone forecasts are not site-specific, and thus are of minimal use to growers.

The Fruit Frost-Agricultural Weather Forecast and Advisory Service employs highly trained agricultural meteorologists, who closely monitor weather patterns which could be potentially devastating to sensitive crops. Information is gathered on a daily basis from numerous sites and carefully analyzed by meteorologists, who then make site-specific forecasts for the various locations within their region. These forecasts are made available to the public through television, radio, and telephone recorders.

The Fruit Frost-Agricultural Weather Forecast and Advisory Service is extremely important to the California raisin industry as more than 80% of the U.S. production is in a 500 square mile area in Fresno County, with the remaining 20% scattered throughout the state. With such a large percentage of the national crop concentrated within a small region subject to particular weather changes, the California raisin industry depends heavily upon the Fruit Frost-Agricultural Weather Forecast and Advisory Service for accurate and timely site-specific forecasts. It is estimated that in the San Joaquin Valley alone, the Fruit Frost-Agricultural Weather Forecast and Advisory Service saves the industry roughly 10% of the crop value through more efficient use of irrigation, reduced and better sprays and nutrients, and accurate forecasts provided during the harvesting and drying period.

The California Fruit Frost-Agricultural Weather Forecast and Advisory Service covers those areas where frost sensitive crops are grown, from the northern Sacramento Valley to the Mexican border. It is estimated that over $1 billion of the $15 billion California agricultural output is frost sensitive. Further, the estimated annual crop-loss savings in California alone approaches $70 million.

In addition to the fruit frost forecasts, the National Weather Service agricultural meteorologists provide detailed, site-specific forecasts to growers in an effort to reduce the amount of pesticides applied. A tremendous emphasis has been placed upon Integrated Pest Management ("IPM") by the U.S. Department of Agriculture/Agriculture Research Service, experiment stations and the various agriculture industries. Everyone associated with this research feels that the IPM approach to a more judicious use of pesticides will benefit agriculture and the end user of agriculture products. It should be noted that many of the IPM decisions are weather driven. That is, accurate weather data is vital for the efficient use of any of the IPM programs.

A recent report by the California Agriculture Weather Task Force, which is enclosed with this statement, states that uses of agricultural weather information include chemical applications, harvest timing, irrigation timing, pest management, frost protection, planting, burning, labor scheduling and etc. Uses by an individual can vary depending upon commodities and conditions but it is evident that agriculture is constantly dependent upon agricultural weather information to make management decisions.

The California Agriculture Weather Task Force in its recommendations states that National Weather Service is and should remain the base for agricultural weather programs in California. To interrupt or eliminate this valuable service would produce disastrous results.

The California Raisin Advisory Board is deeply concerned with the Department of Commerce's decision to again eliminate the Fruit Frost Forecast and other agriculture weather services. These programs return millions of dollars in lost crop savings to the producer and consumer each year. In fact, program audits indicate that the Fruit Frost Service has the highest cost-benefit ratio of any division within the National Weather Service. Further, it would be extremely difficult, if not impossible for the private sector to take over all facets of these programs. There is no doubt that private sector costs would be many times more costly than current service, and it is highly probable that the quality of service would be less and might well be unusable.

The California Raisin Advisory Board strongly urges this Committee to re-evaluate the Commerce Department's decision to end these valuable agricultural weather programs. To this end, we recommend that funds be appropriated at current funding levels, with appropriate increases for inflation and employee benefits.

REPORT SUBMITTED TO THE STATE BOARD OF FOOD AND AGRICULTURE BY THE CALIFORNIA AGRICULTURAL WEATHER TASK FORCE

RECOMMENDATIONS

The California Agricultural Weather Task Force recommends the following:

1. That the Director of the California Department of Food and Agriculture (CDFA) be responsible for establishing an agricultural weather system for California.

   a. That a California Agricultural Weather Committee (CAWC) be established by the Director of the CDFA. This Committee should address the following issues:
      - coordination of agricultural weather activities of Federal, State and local agencies and the private sector, when appropriate;
      - coordination of funding of State and State-supported agricultural weather services;
      - budget development for the agricultural weather system;
      - criteria and funding methods for research and education of agricultural weather services;
      - long-term plans and agricultural weather policy recommendations;
      - delivery of weather information to users.

   b. That the Director of the CDFA assign the necessary staff and/or resources to implement the recommendations of the CAWC.

2. That the National Weather Service (NWS) is and should remain the base for agricultural weather programs in California. Furthermore, that adequate and stable levels of funding for NWS be maintained to ensure that basic products and services are available throughout the State.

3. That a statewide agricultural weather data network be established within the Resources Agency, with participation by government agencies and the private sector, when appropriate; further, that standards be developed for monitoring and transmitting equipment, siting, and data quality control.

4. That an agricultural weather data bank be developed in the Resources Agency.

5. That the office of the State Climatologist be established in the Resources Agency.

6. That agricultural weather education must be improved in California.

TASK FORCE MEMBERS

Ms. Anne Chadwick, California Farm Bureau Federation

Mr. Ed Craddock, Department of Water Resources

Mr. Earl Decker, Grower

Mr. Maurice Johnson, Sunkist Growers, Inc.

Dr. James Lyons, University of California

Mr. Gary Obenauf, California Raisin Advisory Board,
California Prune Board and Walnut Marketing Board

Mr. William Parker, National Weather Service

Dr. Charles M. Smallwood, California State University

REPORT PREPARED BY

California Department of Food and Agriculture	University of California, Davis
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Ms. Melinda Leong	
Mr. Kenneth Park	

INTRODUCTION

In 1983 the State Board of Agriculture recommended to the Director of the California Department of Food and Agriculture to study the situation of agricultural weather services in California and to prepare a set of proposals on the performance and delivery of these services. The California Agricultural Weather Task Force was established representing farmers, agricultural organizations, University of California, California State University, National Weather Service (NWS), and State Government. The Task Force goals were stated as: (a) study and evaluate the present situation of agricultural weather services in California; (b) analyze the present methods of monitoring of agricultural weather data and its delivery; (c) evaluate the type of weather services which would best respond to the needs of farmers and ranchers; and (d) prepare a set of proposals for the development of an effective agricultural weather service system for California agriculture.

This report presents the results of Task Force activities. The program has received excellent support from farmers and other users of agricultural weather services. The data and recommendations included in this document are based upon the analysis of surveys conducted. The material has been discussed at the meetings of the Task Force and also at several workshops to which the members of the Task Force were invited. Many individuals have had an opportunity to provide their input in the proposed design of agricultural weather services for California agriculture.

The funding for agricultural weather services has been significantly reduced during the last 10 years due to budgetary cuts in Federal and State governments. Further, the present methods of funding do not provide for the required stability, continuity, and modernization of operations. While the activities of the NWS and the California State Climatologist have been negatively affected by recent budgetary cuts, new programs of weather services started to operate. Some of these programs are funded by private sources, such as the Stanislaus County Area Grape Improvement. On the other hand, a new program called the California Irrigation Management Information System (CIMIS) has been fully funded by special State funds. Some other programs, such as Nowcasting, Inc. has been jointly funded from private and public resources.

We are very fortunate to have a long-term tradition in the delivery of quality weather services for California farmers. Presently, we are facing a challenge to build on this strong foundation, and to develop an effective system based upon modern methods of data monitoring and communications, and harmonize this advanced system with the needs of modern agriculture. Effective agricultural weather services are essential not only to farmers and ranchers, but to the whole society - to people in this State, Country and abroad. From the economic point of view, the export of farm commodities is essential to our State and National economy. We have to reduce the risks in the production of food commodities. Policies toward the development of efficient agricultural weather services to be used on farms, and at the County, State, and Federal levels, are essential steps for securing future food supplies.

1.0 DESIGN OF THE CALIFORNIA AGRICULTURAL WEATHER SYSTEM

Without access to accurate real-time data and forecasts of future weather, farmers can not optimize their decisions in food production. An effort to supply weather information to California growers should be made by County, State and Federal agencies and by private organizations, with provisions to ensure the quality and effectiveness of information disseminated, and to provide reliable weather forecasts.

The proposed core weather network should be operated by State Government in cooperation with Federal agencies to ensure a long-term commitment to agricultural weather services and to provide for proper siting, calibration and maintenance of weather stations. Monitored weather data would be quality checked; inaccurate data would not be disseminated. Private organizations may, if needed, disseminate core weather data and provide additional services for farmers, ranchers and other individuals or companies, requiring refinements to account for microclimate differences and specialized needs.

Weather data from the core network can be utilized for many applications over the entire year, including irrigation management, frost forecasting, integrated pest management, agricultural burning, spraying, flood forecasting, and other agricultural applications. Having an agency operated network should ensure the quality and universal availability of data for multiple uses both in the private and public sectors.

Automated weather stations will be the basic element of the data network. Parameters measured will include temperature, precipitation, wind, humidity, soil temperature and solar radiation. The weather stations should provide complete coverage for all State agricultural areas.

The monitored data will be transmitted, preferably by radio signals, to a central data bank. The data will be transmitted once each hour or as event-reported signals to a central data bank. The monitored weather data will also be immediately accessible by local users.

Quality checked data will be stored in the central data bank. These data will be available to the NWS, State agencies, universities, and to public and private users. The central data bank, operated by the Resources Agency, will be responsible for the completeness and quality of stored data.

The proposed agricultural weather network should be a uniform, standardized system supporting the delivery of high quality weather services to California growers.

Recommendation #1

The Director of the California Department of Food and Agriculture (CDFA) should be responsible for establishing an agricultural weather system for California.

A California Agricultural Weather Committee (CAWC) should be established by the Director of the CDFA. This Committee will address the following issues: (a) coordination of agricultural weather activities of Federal, State and local agencies and the private sector, when appropriate; (b) coordination of funding of State and State-supported agricultural weather services; (c) budget development for the agricultural weather system; (d) criteria and funding methods for research and education of agricultural weather services; (e) long-term plans and agricultural weather policy recommendations; and (f) delivery of weather information to users.

The Director of the CDFA assign the necessary staff and/or resources to implement the recommendations of the CAWC.

The CAWC will include representatives of farmers, ranchers, agricultural organizations, University of California, California State University, NWS, and State government. The CAWC will be a permanent working group, reporting to the Director of the CDFA. The CAWC will provide an assurance that agricultural weather services are delivered at high quality levels to farmers, ranchers and other users.

Recommendation #2

The National Weather Service (NWS) is and should remain the base for agricultural weather programs in California. Furthermore, adequate and stable levels of funding for NWS should be maintained to ensure that basic products and services are available throughout the State.

The NWS is the backbone of any agricultural weather program either locally or statewide. Local, regional and national weather services, and potential program improvements, must be built around NWS. Private weather programs certainly have a place in the system but can never replace NWS, and, in fact, will be dependent on information from NWS for their existance. Any sophisticated applications of weather information for various farm operations can not be uniformly developed and established to serve agriculture by private industry without a reasonable base of data and service from the NWS. The Task Force recognizes that the NWS should provide basic products and services to agriculture in California and recommends that adequate and stable levels of funding be maintained to ensure these basic products and services be available throughout the State. The Task Force further recommends that any potential deficiencies in NWS programs be corrected and identified for additional State and Federal funding. The NWS operates the unique organizational structure for fruit frost services in California; this program is performed from one-person frost district offices. This decentralized approach has become the hallmark of agricultural weather services in California, and has been extremely successful. The Task Force recommends the continuation and expansion of this type of service.

Recommendation #3

A statewide agricultural weather data network should be established within the Resources Agency, with participation by government agencies and the private sector, when appropriate. Standards should be developed for monitoring and transmitting equipment, siting, and data quality control.

The efficiency of various elements in the proposed California weather system can be achieved by well designed methods of funding. The coordination of public and private funds should provide an assurance of the uniformity and quality of transmitted data and basic equipment standards within the statewide weather network. Such a system will include data monitoring, transmitting, evaluation, storage, and data access by all users.

The funding of agricultural weather services should correlate with the logistics of their operations. The weather stations are, and will be in the future, owned either by the private sector or the Federal/State government. Data transmission will be provided either by State or Federal government. Data storage, its quality control and data accessability will be managed by the State government. The NWS will establish required standards for the equipment and stored data. The compliance of the weather stations with minimum standards will be inspected by the State government. The cooperation of public and private organizations must be based upon long-term plans developed for agricultural weather services in California. This work will be one of many tasks performed by the CAWC.

The standardization of monitoring or transmitting equipment and the quality of data delivered are essential requirements for efficient agricultural weather systems. Presently, equipment is only partially standardized by individual groups of users. There are no statewide standards. The NWS has basic standards for its own weather stations, and the same applies to CIMIS, Nowcasting, and other individual organizations.

The quality control of agricultural weather data is presently not performed in a systematic way. Various procedures have been developed by groups, but a coordinated program needs to be developed to assure uniform quality of agricultural weather data in California.

The standards for agricultural weather stations, transmitters, and quality control procedures should not limit the type of equipment to just one or only a few manufacturers. On the other hand, the standards should provide assurance that weather stations, transmitters, receivers, and electronic data processors will be fully compatible in California. The procedures for data quality control should guarantee the high performance of agricultural weather services in California agriculture.

Recommendation #4

An agricultural weather data bank should be developed in the Resources Agency.

The Task Force recommends that a special agricultural weather data base be established. The data will be centrally stored, and made readily available to farmers, ranchers, agricultural organizations, NWS, Universities, private meteorologists, and other users. The overall management of the data bank would be the responsibility of the State of California with assistance from the NWS and other private or public users. This data bank should be organized as an expansion of the California Data Exchange Center which is currently operating in the Resources Agency.

Recommendation #5

The Office of the State Climatologist should be established in the Resources Agency.

The Task Force recommends increased funding for the Office of the State Climatologist in the Resources Agency. By agreement with the NWS, the State Climatologist is established within the Resources Agency, but funding for the function has been minimal. Increased funding has been requested from the Resources Agency for the next fiscal year; however, additional funding will be needed from outside the Resources Agency to ensure accomplishment of the requested tasks. The Office of the State Climatologist will archive and manage California weather data, publish monthly and annual reports, control the quality of weather data and will be involved in other related activities. The State Climatologist will work closely with the NWS and various state agencies on issues related to their specific areas of interest. The Office of the State Climatologist will cooperate with the California Agricultural Weather Committee on agricultural weather related issues.

Recommendation #6

Agricultural weather education must be improved in California.

There is a need to improve the scope of education and training in support of the development of advanced agricultural weather systems in California. Basic courses should be offered by the University of California, California State Universities, and by the agricultural departments of Community Colleges. Agricultural Extension in conjunction with NWS should organize frequent workshops on agricultural weather in selected counties and regions. Lectures on agricultural weather could also become a regular part of farmers meetings in counties and local communities.

Training and education should be coordinated between Federal (NWS) and State organizations. Both public and private institutions should play important roles in these programs. The California Farm Bureau Federation has already been very active in the promotion of modern agricultural weather methods, and there is an opportunity for other agricultural organizations to be more involved in this area.

A higher portion of Federal funds should be oriented toward the education of farmers and other users of agricultural weather data. At the State level, sufficient funds should be provided for the development of required courses at universities and colleges, for research programs, and for the effective dissemination of practical knowledge on agricultural weather systems by Agricultural Extension.

2.0 DESCRIPTION OF AGRICULTURAL WEATHER SERVICES AND TECHNOLOGY IN CALIFORNIA

One objective of the California Agricultural Weather Task Force was to identify current agricultural weather services. A second objective was to identify locations of existing weather stations, the parameters measured at each, and the methods used to collect the data from each station. The results can be used to discern areas where services or measurement of one or more parameters is insufficient to meet the needs of agricultural weather users.

A survey of both public and private sources that operate weather stations or provide weather services was made. Stations used in our analysis make automated measurements and are capable of reporting observations via some type of telemetry, with the data stored automatically in a computer. Only 479 of about 1,500 California stations met these criteria. Of those 479 stations, 164 measured three or more desireable parameters (map 2.1). Although some critical factors, such as instrument quality and siting, are unknown for each station, many of these 164 stations may provide a suitable beginning for a cohesive, statewide network. To assemble a statewide telemetered weather data network, additional equipment would be needed. No agricultural weather parameter is adequately monitored to fill user needs in all areas of the State.

Instrumentation

The primary interest was to catalog those weather stations that could be automatically accessed via some type of telemetry and have the data stored in a computer in real-time. While large numbers of measurements of some parameters are made daily across the State, many use mechanical, operator-read instruments and are unsuitable for a large-scale, automatic network. Map 2.2 shows stations in the National Oceanic and Atmospheric Administration Cooperative Observing Network as the largest example of a network of observations made by hand.

Administrators of existing automated weather networks were polled to determine location, parameters measured, type of telemetry used, and frequency of measurement for each station in the network. Table 2.1 reflects summarized information by network. The networks are operated both by public and by private agencies, with the largest number of stations included in State or county operated networks monitoring precipitation for flood and water supply control and forecasting. Private networks support only a small number of stations, but those stations are generally very well equipped, measuring a full range of parameters.

Precipitation is the most widely measured weather parameter. Telemetered raingauges are generally well distributed throughout the primary agricultural areas of California, although the northern San Joaquin and some mountain regions have few or no telemetered stations (map 4.2). Considering the large spatial variability with respect to rainfall, probably no growing area is "adequately" covered from a meteorological sense.

Through the agricultural areas, temperature measurements are similarly distributed (map 4.2). Some mountain and coastal growing regions, as well as the Southern Sacramento and part of Northern San Joaquin Valleys, have few or no telemetered stations. Air temperature is more conservative with respect to horizontal variability than precipitation, however, requiring a less dense network.

Wind and humidity measurements (including relative humidity, wet-bulb temperatures, dew point, and vapor pressure) are made throughout the agricultural areas, with the exceptions of the Southern Sacramento Valley, part of the Northern San Joaquin Valley, and some of the mountain and coastal valleys (maps 4.3 and 4.4). Most of the measurements of wind are made at the same locations as measurements of humidity, except that a few more wind measurements are made than for humidity.

Solar radiation is monitored almost exclusively in the growing areas (map 4.5). Coverage is limited to the lower desert valleys, the Southern San Joaquin, the Sacramento and the Salinas Valleys. The shortages of radiation readings in the mountains and along the coast introduce significant data gaps, since radiation is highly variable with regard to elevation and in foggy or cloudy situations. Because of its conservative nature across large horizontal distances, gaps within the Central Valley are probably unimportant, particularly since most fog and clouds occur outside of the growing season.

Like solar radiation, there are far fewer soil temperature monitoring stations than stations measuring air temperature, humidity, wind or precipitation. Those stations that do take readings are heavily concentrated in the Central Valley, with a few in the desert and Salinas Valleys (map 4.6). This is not unexpected, since soil temperature is a parameter more useable by agriculture than by most other applications. Few of the coastal or mountain growing areas have any stations for soil temperature at all.

Precipitation is highly variable over distance, and a denser network would be required. Temperature is a more conservative parameter, but many areas need better coverage. More localized humidity, wind and soil temperatures would also be necessary for many applications. Solar radiation measurements are abundant in some parts of the growing areas, but many critical areas have no instrumentation at all.

Data Acquisition

Telephone links are used to access most of the automated stations that are useful to agriculture, but other types of telemetry systems are also in use in California's growing areas (figure 2.3). Within the Central Valley, the southern deserts and Salinas Valley, most of the telemetered weather stations are part of CIMIS or private networks accessed by telephone. NWS and the Federal Aviation Administration operate a few stations in the agricultural areas, and data are available over NWS' AFOS computer system. (Most of the NWS stations are not truly automated, but frequent human observations are entered regularly into the AFOS computer and so are available in real-time). Most stations in the State and county networks are located in mountainous or urban areas, with few located in agricultural settings. Those are accessed via radio or satellite.

While we have determined locations measuring the most critical parameters, other questions need to be answered before a coherent agricultural data network could be formed which would tie the stations together. First, location of individual stations may make them more or less suitable for a general purpose network, depending on how representative a location is of its surroundings. A parameter may be measured differently in different locations: i.e., instruments may be of varied types, with varying accuracies, or the height of measurement or environment may change from station to station. Integration of existing weather networks would require answers to questions of instrumentation, including accuracy, calibration, placement within the site, as well as site suitability. Existing station characteristics would need to be compared, and if necessary modified, to meet agreed-upon standards for establishment of a general agricultural weather data network.

Services

Several types of weather services are provided to agricultural interests in California. These include short term temperature and precipitation forecasts, long range outlooks, fruit frost forecasts, ventilation forecasts, and general agricultural advisories. Services are tailored to the needs of the area of interests and may change with each season of the year.

The largest provider of agricultural weather services in the State is National Weather Service. Seven Weather Services Offices provide agricultural advisories or forecasts during all or part of the year (figure 2.4). Fruit frost forecasts are provided seasonally in areas with frost-sensitive crops, generally by a forecaster temporarily located in the district (figure 2.5). While these forecasts target only the frost problem in an area, the advisories and agricultural forecasts provide information for many interests: irrigation, pest management, planting, etc.

Another provider of agricultural weather services is Nowcasting, Inc. This non-profit corporation is located in Chico and is supported by both public and private funds. The organization's employees prepare detailed local weather forecasts for agricultural interests in many locations throughout the State. These are issued to private individuals and several different agencies, through a variety of means (figure 2.6). Services include wind and ventilation forecasts, temperature and precipitation forecasts, and preparation of degree-day accumulations and disease indices, as well as other kinds of information.

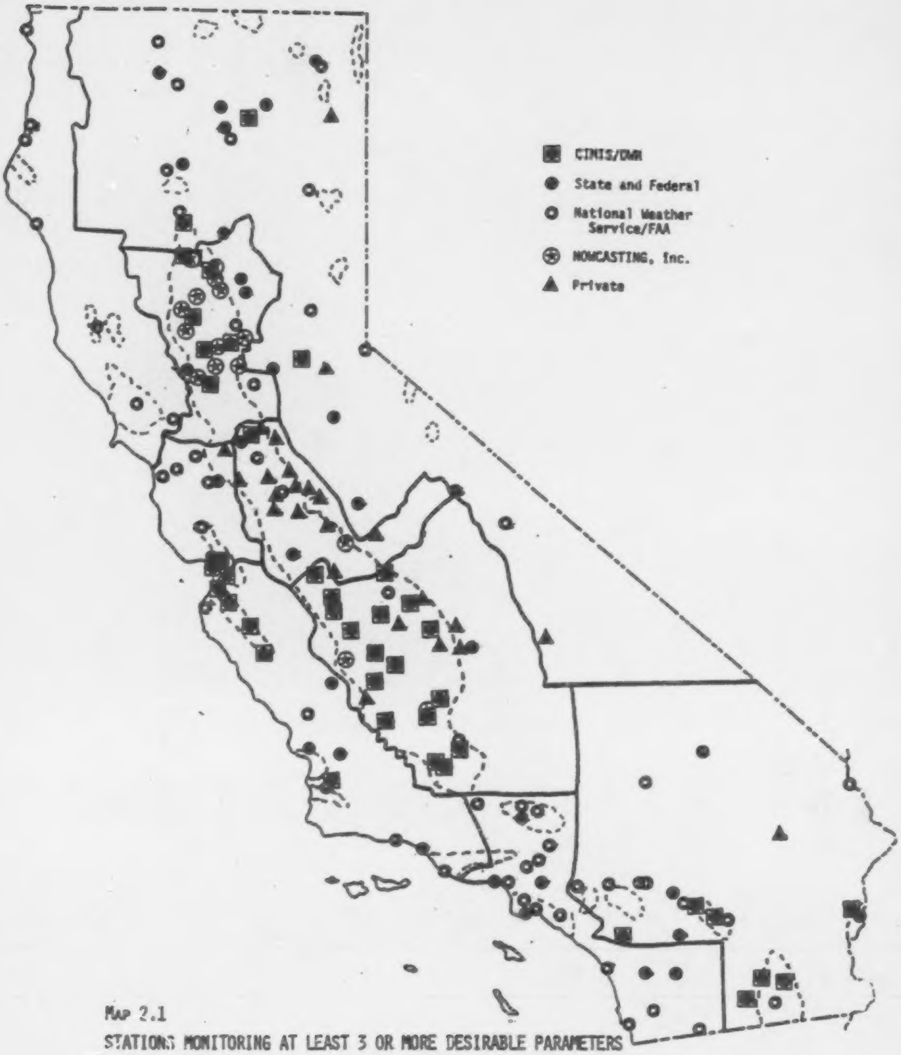
Another organization involved in agricultural weather services is the California Irrigation Management and Information System (CIMIS). CIMIS is a research and development project of the University of California and the California Department of Water Resources (DWR). The project collects weather data from many regions of the State, using it to calculate estimates of evapotranspiration (ET) (map 2.7). The weather data and ET estimates are provided to project researchers, grower/cooperators, and the DWR. Since CIMIS is a research effort, no true general services are provided at this time. DWR does distribute the weather data and ET estimates to anyone who requests it; however, DWR plans to implement and expand the program at the end of the research and development stage.

Table 2.1.

Network	Comprehensive Stations **	Total Stations	Number of Stations Measuring Temperature	Precipitation	Wind	Humidity	Soil Temperature	Solar Radiation	Telemetry
University of California/ California Dept. of Water Resources - CIMIS	43	43	43	43	43	43	43	43	Telephone*
NOWCASTING, Inc.	15	16	16	1	16	15	4	5	Telephone
Ventura County Flood Control	0	29	0	29	0	0	0	0	Radio
Monterey County Flood Control	0	9	0	9	0	0	0	0	Radio/ microwav
San Diego County Flood Control	0	26	0	26	0	0	0	0	Radio
Santa Clara Valley Water District	1	9	1	9	1	1	0	0	Radio
Grower-organized	15	15	15	5	15	15	14	1	Telephone
State, Federal networks including California Division of Forestry	36	250	78	248	34	36	0	0	Radio/ satellit
Other - private	11	11	11	11	13	0	0	11	Telephone
National Weather Service/ FAA	43	71	55	43	71	53	0	0	AFOS
TOTAL	164	479	219	424	191	163	61	60	

* To be changed to radio/satellite in the future.

** Stations measuring 3 or more desirable parameters.

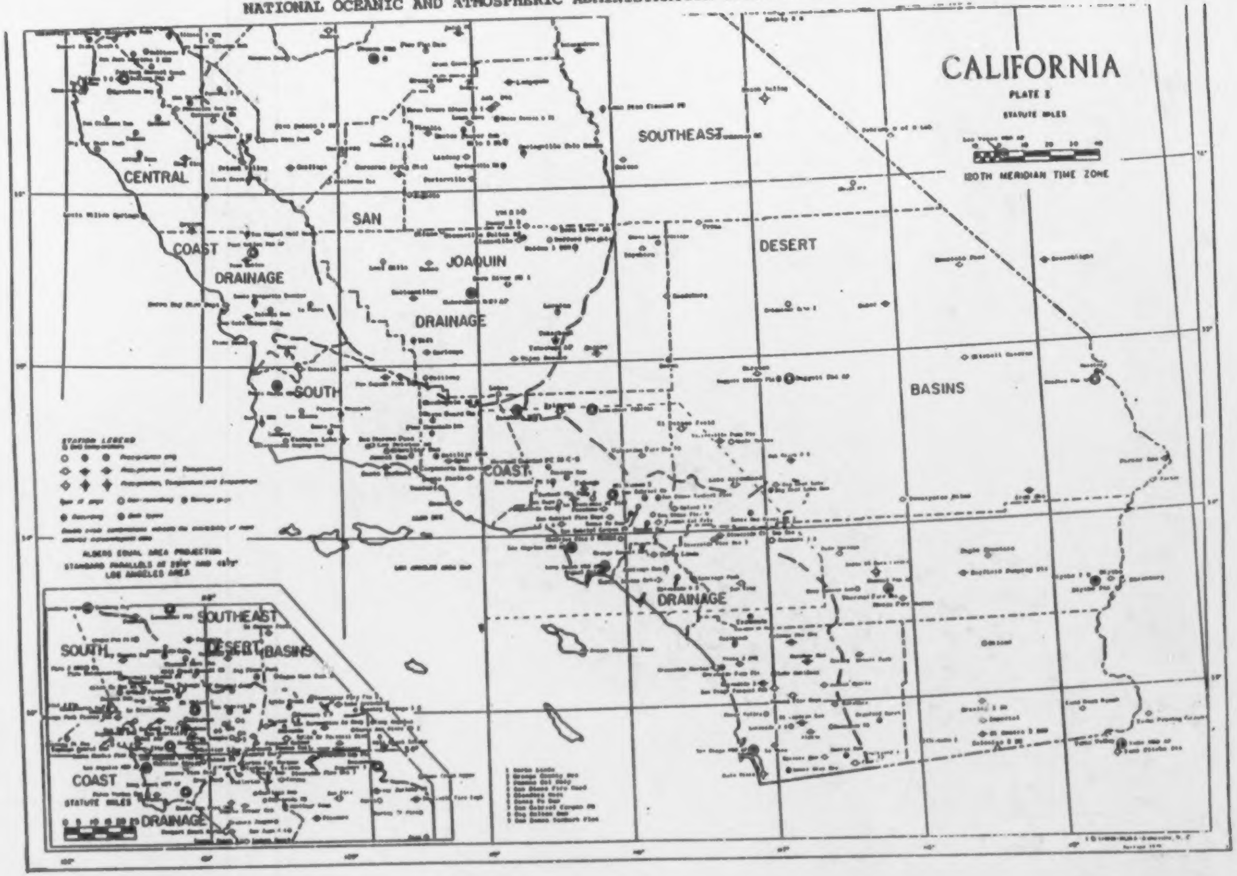

■ CIMIS/DWR
● State and Federal
○ National Weather Service/FAA
⊛ NOWCASTING, Inc.
▲ Private

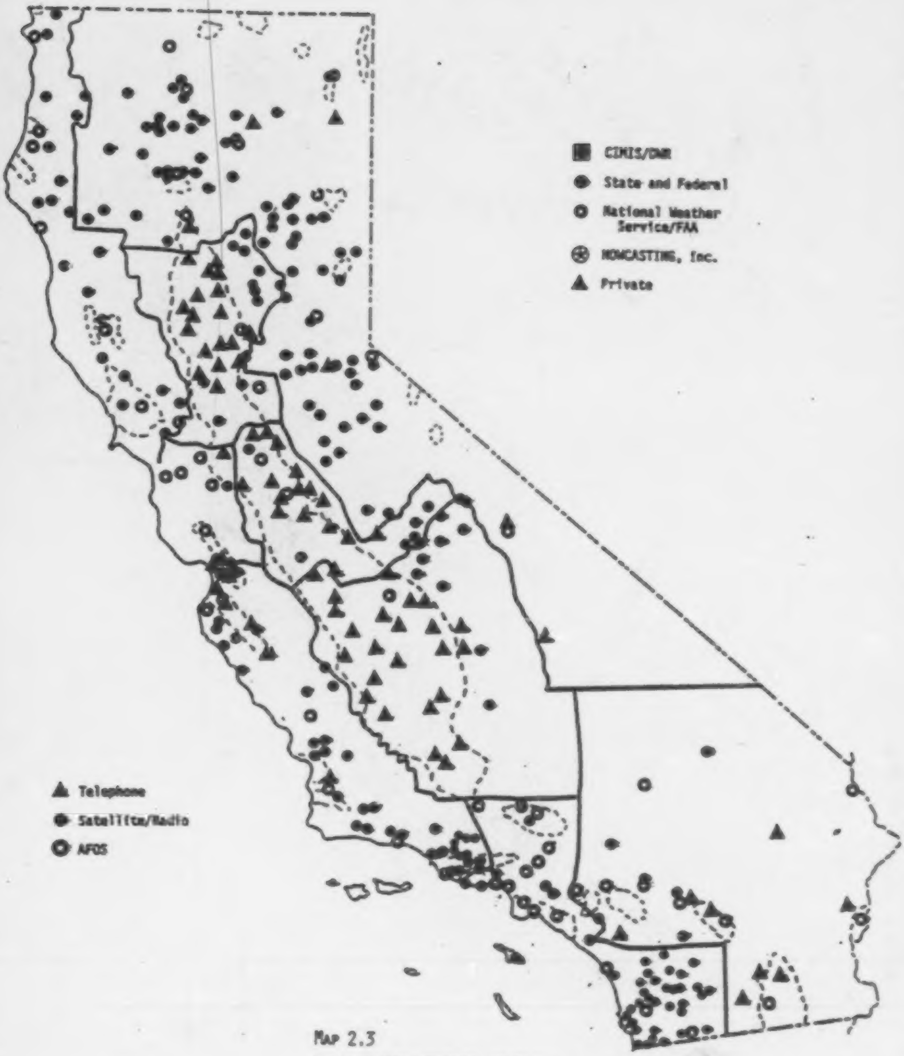
Map 2.1

STATIONS MONITORING AT LEAST 3 OR MORE DESIRABLE PARAMETERS

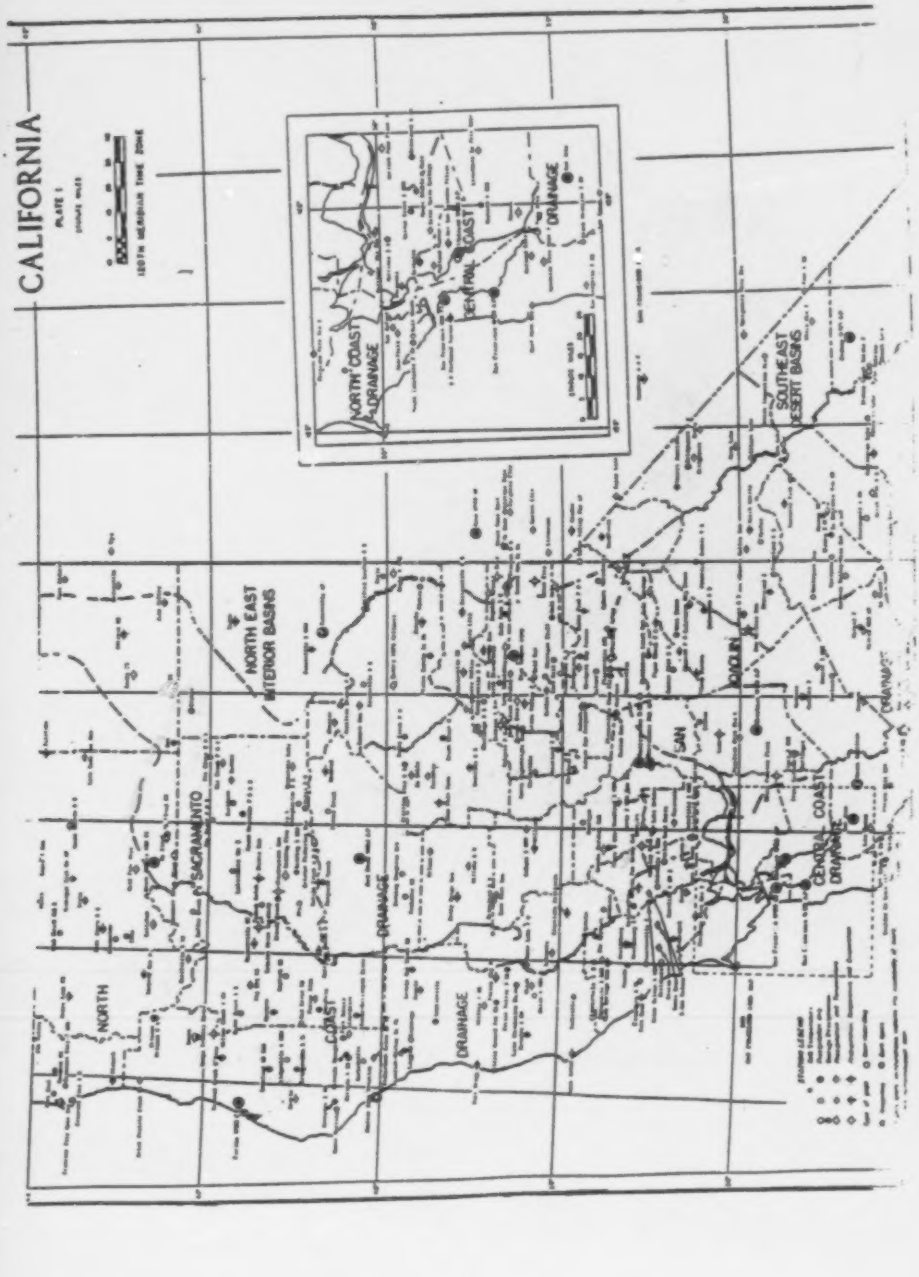
Map 2.2

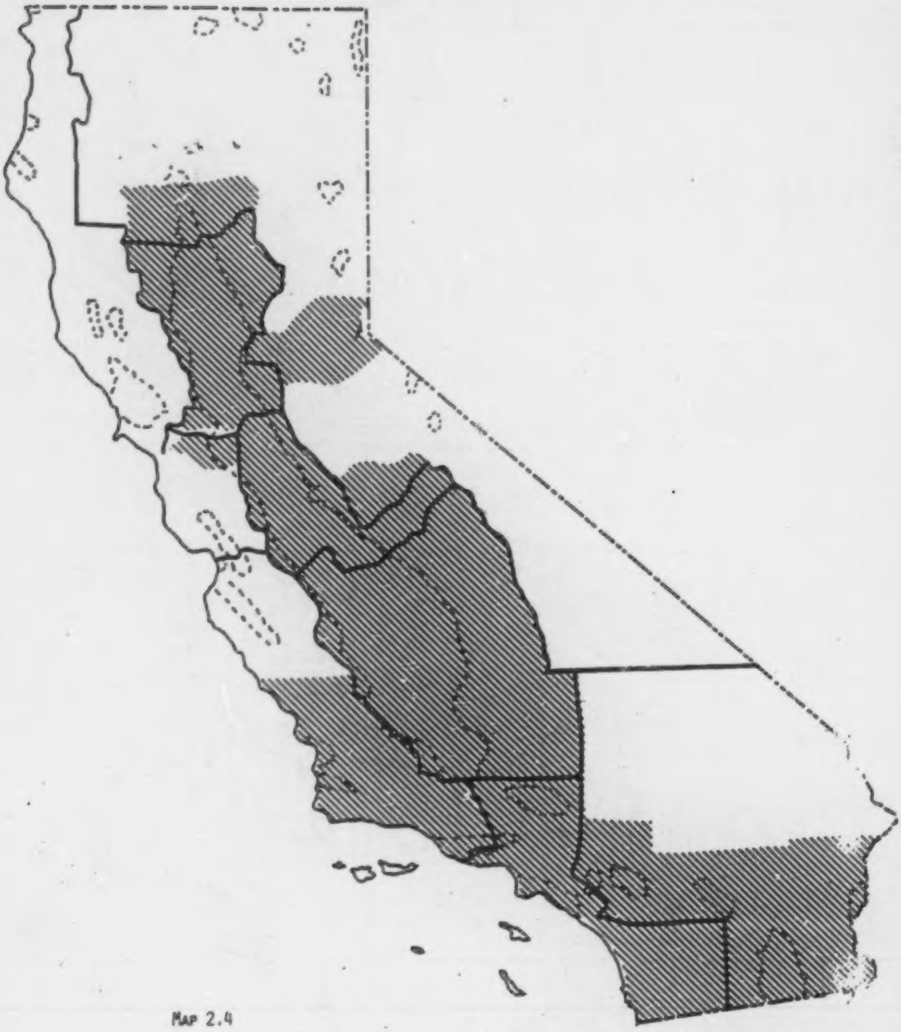
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION COOPERATIVE OBSERVING NETWORK


CALIFORNIA
PLATE I
STATUTE MILES
120TH MERIDIAN TIME ZONE
CENTRAL
COAST
DRAINAGE
SAN
JOAQUIN
DRAINAGE
SOUTH
COAST
DRAINAGE
SOUTHEAST
DESERT
BASINS
STATION LEGEND
ALBERS EQUAL AREA PROJECTION
LOS ANGELES AREA
SOUTHEAST
DESERT
BASINS
SOUTH
COAST
DRAINAGE
STATUTE MILES


CIMIS/DWR
State and Federal
National Weather Service/FAA
NOWCASTING, Inc.
Private
Telephone
Satellite/Radio
AFOS

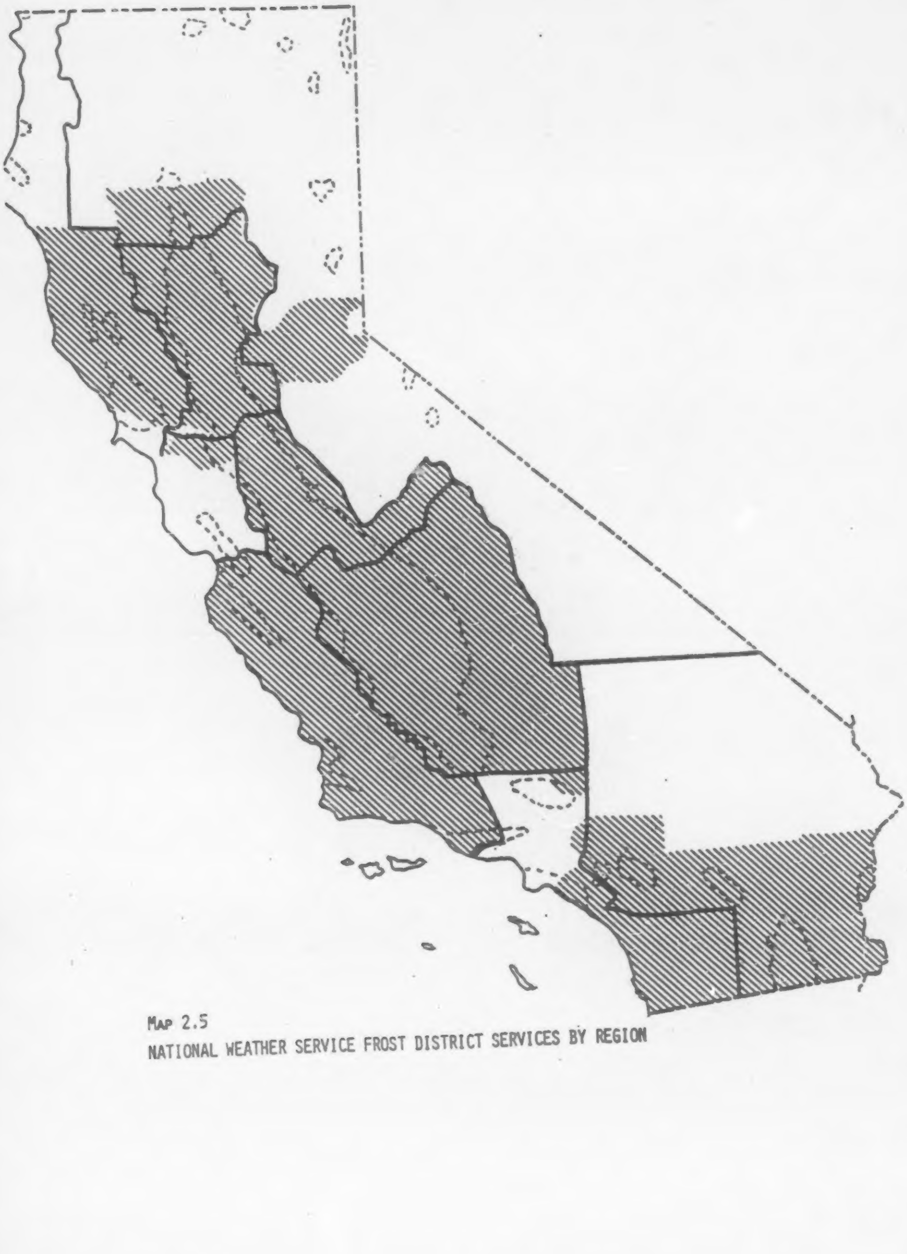
MAP 2.3
TELEMETERED WEATHER STATIONS


CALIFORNIA
PLATE 1
STATUTE MILES
120TH MERIDIAN TIME ZONE
NORTH COAST DRAINAGE
CENTRAL COAST DRAINAGE
NORTH EAST INTERIOR BASINS
SACRAMENTO DRAINAGE
SAN JOAQUIN DRAINAGE
SOUTHEAST DESERT BASINS

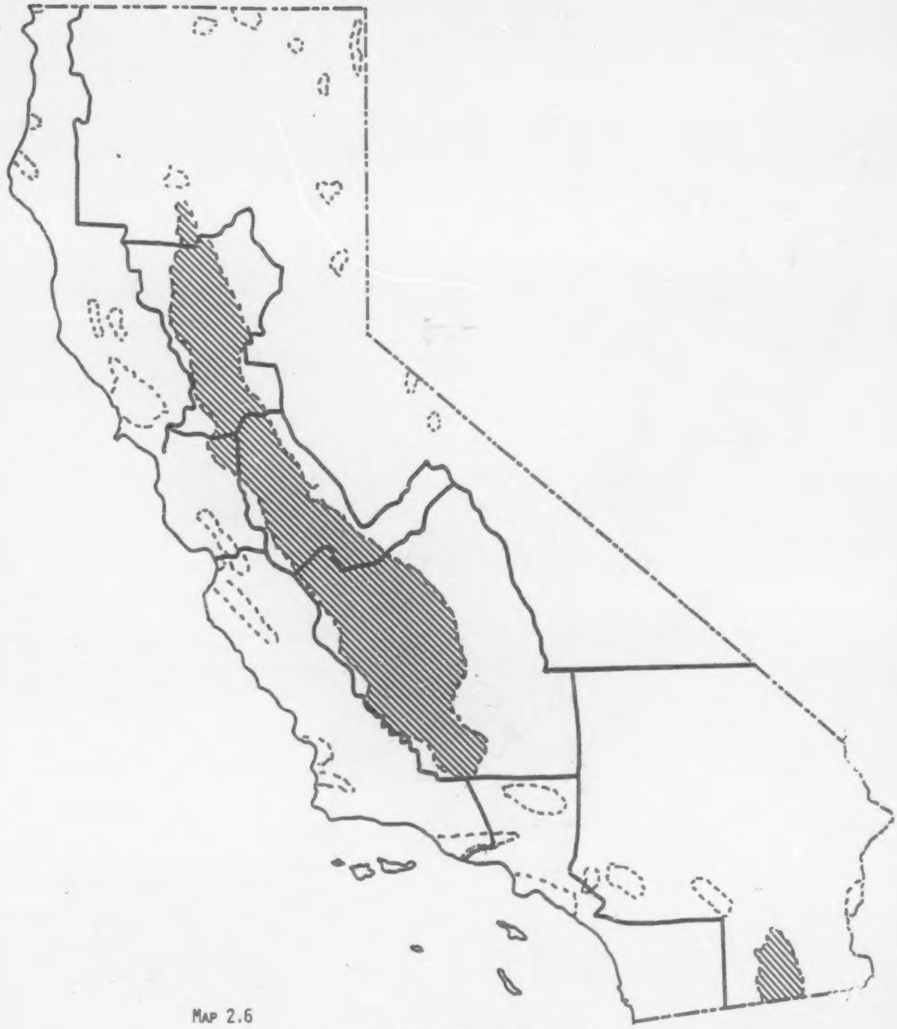


MAP 2.4

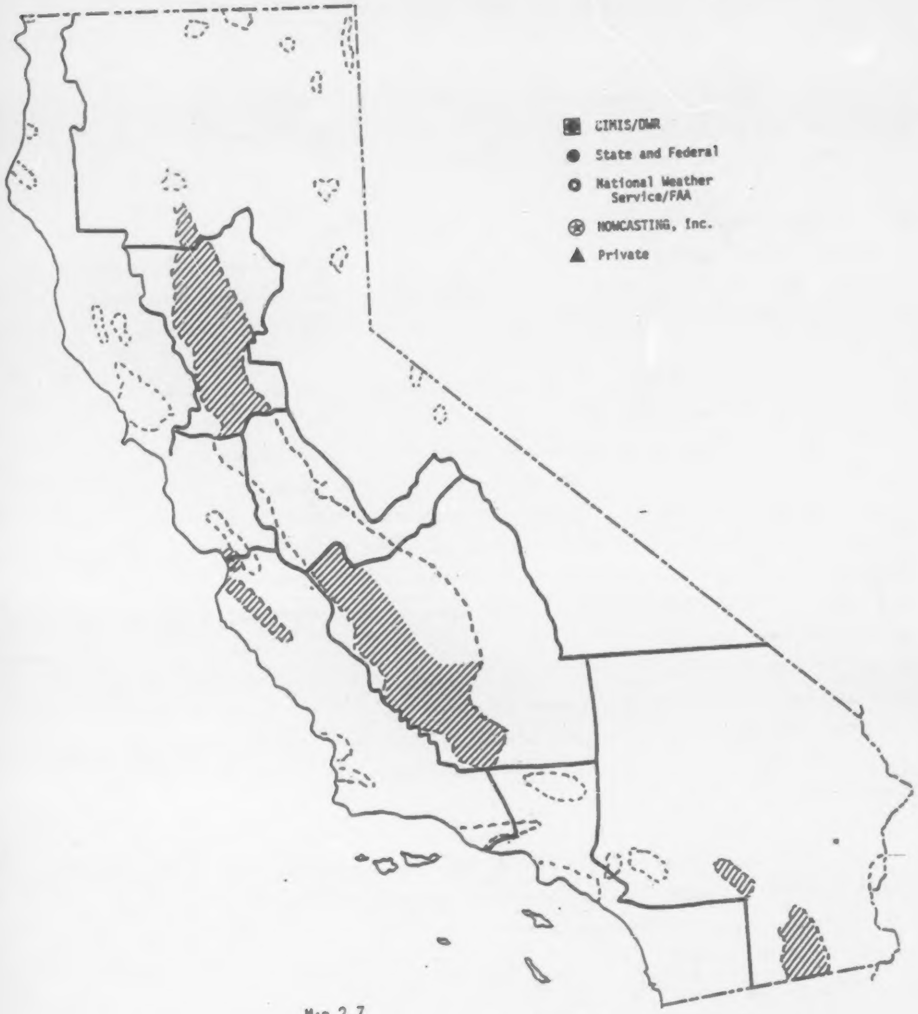
NATIONAL WEATHER SERVICE AGRICULTURAL WEATHER ADVISORY SERVICES BY REGION



Map 2.5
NATIONAL WEATHER SERVICE FROST DISTRICT SERVICES BY REGION



Map 2.6
NOWCASTING, INC. AGRICULTURAL WEATHER SERVICES


▨ CIMIS/DWR
● State and Federal
○ National Weather Service/FAA
⊛ NOWCASTING, Inc.
▲ Private

MAP 2.7
CIMIS AGRICULTURAL WEATHER PROGRAM

3.0 Users Requirements for Agricultural Weather Services

The survey of users has been jointly conducted by the California Farm Bureau Federation and the California Department of Food and Agriculture, as members of the California Agricultural Weather Task Force.

The survey objective has been to increase knowledge about the present utilization of weather data, equipment and communication means, and to obtain an understandin of future trends. The results of this survey will be used in the development of agricultural weather systems correlated with the needs of agriculture.

The survey results represent the views of 706 people, over 80% of those contacted. This level of participation indicates an excellent response to the survey and very high interest in the topic of agricultural weather. The sample of people contacted was not selected randomly, as the survey form (Appendix A) was sent to farmers and ranchers (354 responses) considered as leaders in their field. The survey was also sent to Agricultural Commissione University of California, National Weather Service and private meteorologists. Care was also taken to make sure all geographical areas important to California agriculture were included.

The characteristics of those surveyed is indicated in Table 3.1 and Graph 3.A. Over 65% of the survey participants are producers; the largest single group (36%) are growers of field crops, fruits, nuts and vegetables. Some 20 participants (3%) did not indicate their profession.

As can be seen from Table 3.2, data were obtained from 56 counties. No information was collected on Mono County. Some persons indicated that their work involves larger geographical areas, such as Northern/Central/Southern California or the State.

Various farm commodities are well represented in the survey. The major commodities listed are fruit other than avocados and citrus (24%), hay (18%), beef (17%), grapes and nuts (both 16%), feed grains (14%), cotton (12%), and citrus (11%). Various other farm products are within the range of 1 to 10 percent. The representation of agricultural commodities is indicated in Table 3.3.

The most frequent use of weather forecasting is for chemical applications (63% of all users), crop harvesting (60%), irrigation timing (53%), frost protection and pest management (both 52%), crop planting (50%), burning of crop residues (43%), and scheduling labor operations. Of course the relative importance of each use varies with the particular crop or agricultural operation. The overall picture on the present use of weather information is given in Table 3.4 and Graph 3.B.

Data on air temperature, rain intensity and timing, wind characteristics, fruit frost warning and residue burning conditions, dewpoint and relative humidity are the type of weather information most frequently needed (Table 3.5 and Graph 3.C). There is an increasing demand for weather data for water management, such as information on evapotranspiration, soil moisture and soil temperature.

As it can be seen from Table 3.6 and Graph 3.D, the National Weather Service is the most frequent provider of weather information for agricultural users. The survey indicates that 76% of users rely upon the NWS data. Private industry provides weather information to 15% of users. It should be noted that private meteorologists obtain most of their data from NWS and further transfer it for a particular use.

Television and radio are the most common modes of receiving weather information (Table 3.7 and Graph 3.E). These communication means are followed by newspapers, telephone recording and continuous weather radio. Some 88 agricultural users (12% of surveyed persons) own their own weather data equipment. Still a relatively small amount of data information is being transmitted by computer (6%). However, a significant number of respondents, nearly one-fifth of surveyed users indicated that they would like to receive weather information through electronic data systems.

The "time frame" of the highest priority for receiving weather information is real time. It can be seen from Table 3.8 that the priority is decreasing with the length of the time period for the practical application of received weather information. This in part relates to the understood accuracy of forecast with time.

The majority of agricultural users (64%) prefer to receive weather information early in the morning. Table 3.9 and Graph 3.F indicate, it is also important to note, that the users like to obtain weather information in the evening to plan their next day operations.

The cooperation of agricultural users was excellent as can be seen from Table 3.10 and Graph 3.G. A great majority of persons (82%) expressed interest to participate in future surveys.

Computer analysis of survey data gives an opportunity to study the interaction of various details in agricultural weather information systems. The potential use of this analysis is illustrated in Table 3.11. The origin, delivery and time frequency of weather data are compared for selected commodity groups. The generated data matrix facilitates a comparison and evaluation of all factors included in the weather survey. The data collected in this survey will be kept on file in CDFA and available for anyone to use.

Graph 3.A

CALIFORNIA AGRICULTURAL WEATHER TASK FORCE
ANALYSIS OF USER SURVEY

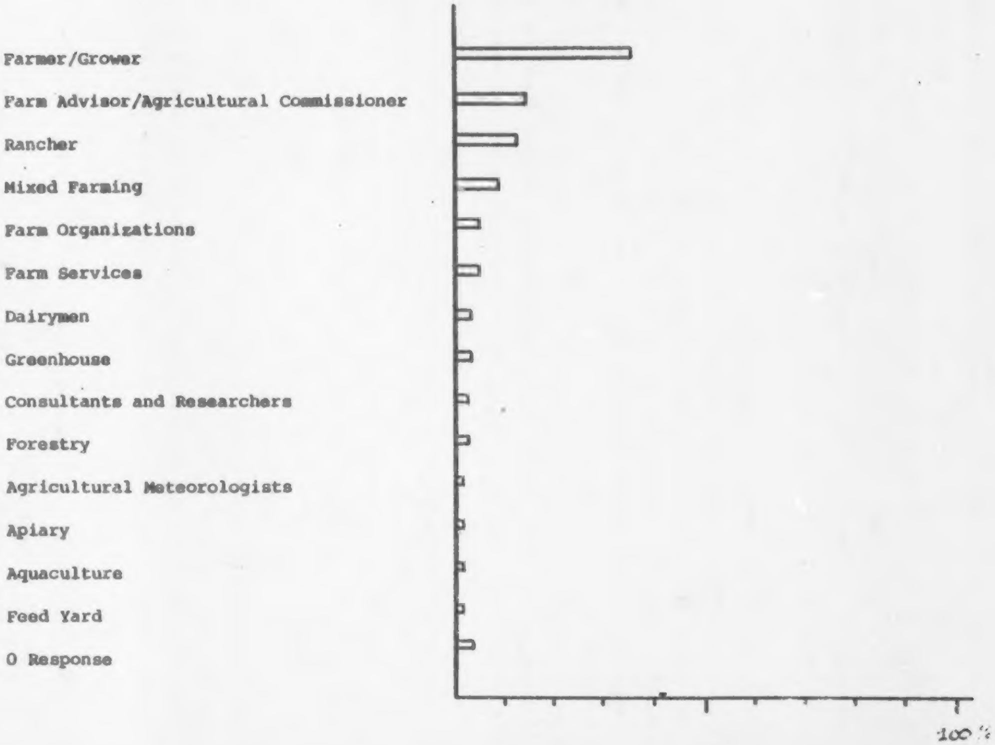


TABLE 3.1

CALIFORNIA AGRICULTURAL WEATHER TASK FORCE

ANALYSIS OF USER SURVEY

Occupation

		Percent
Farmer/Grower	265	36
Farm Advisor/Agricultural Commissioner	104	15
Rancher	89	13
Mixed Farming	61	9
Farm Organizations	37	5
Farm Services	37	5
Dairymen	18	3
Greenhouse	20	3
Consultants and Researchers	16	2
Forestry	15	2
Agricultural Meteorologists	6	1
Apiary	5	1
Aquaculture	5	1
Feed Yard	8	1
0 Response	20	3
TOTAL	706	100

TABLE 3.2

CALIFORNIA AGRICULTURAL WEATHER TASK FORCE

ANALYSIS OF USER SURVEY

County Representation in the Survey

	Number of Responses		Number of Responses
Alameda	3	Plumas	1
Amador	4	Riverside	22
Butte	59	Sacramento	16
Calaveras	6	San Benito	4
Colusa	10	San Bernardino	8
Contra Costa	5	San Diego	11
Del Norte	5	San Francisco	1
El Dorado	1	San Joaquin	21
Fresno	28	San Luis Obispo	16
Glenn	14	San Mateo	4
Humboldt	3	Santa Barbara	14
Imperial	15	Santa Clara	8
Inyo	2	Santa Cruz	5
Kern	30	Shasta	6
Kings	19	Sierra	1
Lake	5	Siskiyou	5
Lassen	1	Solano	7
Los Angeles	4	Sonoma	12
Madera	12	Stanislaus	20
Marin	5	Sutter	20
Mariposa	6	Tehama	10
Mendocino	10	Trinity	1
Merced	20	Tulare	30
Modoc	5	Tuolumne	3
Mono	0	Ventura	23
Monterey	21	Yolo	23
Napa	17	Yuba	10
Nevada	7		
Orange	8	Northern California	15
Placer	6	Central California	13
		Southern California	6
		State	8
		0 Response	31
Total			706

TABLE 3.3

CALIFORNIA AGRICULTURAL WEATHER TASK FORCE

ANALYSIS OF USER SURVEY

Farming System - Primary Commodities

			Number of Responses	*Percent of Responses (n = 706)
Livestock	- Beef		118	17
	Dairy		36	5
	Fish		10	1
	Horses		24	3
	Poultry		18	2
	Sheep		32	4
	Swine		16	3
		Subtotal	254	36
Field Crops	- Cotton		84	12
	Dry Beans		59	8
	Feed Grains		100	14
	Hay		129	18
	Rice		49	7
	Sugar Beets		31	4
	Wheat		70	10
		Subtotal	522	74
Fruits and Vegetables	- Avocados		48	7
	Citrus		80	11
	Other Fruit		169	24
	Grapes		116	16
	Nuts		115	16
	Tomatoes		54	8
	Other Vegetables		60	8
		Subtotal	642	91
Other	- Bees		11	1
	Flowers		21	3
	Plants		28	4
	Timber		9	1
	Other		28	4
		Subtotal	97	14
		Total	1,515	

* Many respondents listed more than one commodity they were farming, thus percentage add up to greater than 100%.

TABLE 3.4

CALIFORNIA AGRICULTURAL WEATHER TASK FORCE

ANALYSIS OF USER SURVEY

Use of Weather Information

	Currently Used (A)	Would Like To Use (B)	Total (A + B)	Percent of Users (n = 706)
Chemical Applications	447	56	503	71
Harvesting	425	48	473	67
Irrigation Timing	374	82	456	65
Pest Management	369	87	456	65
Frost Protection	365	34	399	57
Planting	356	37	393	55
Burning	306	23	329	46
Labor Scheduling	255	29	284	40
Forecasting	174	83	257	37
Financial/Risk Assessment	89	66	155	22
Research	88	47	135	19
Data Collection	71	58	129	18
Crop Models	49	69	118	17
Statistics	67	48	115	16
Transportation Planning	89	20	109	16
Environmental Modification	55	35	90	13
Animal Movement	75	9	84	12
Data Dissemination	42	38	80	11
Animal Marketing	50	16	66	9
Animal Breeding	22	16	38	5
Other (Please Specify)	18	8	26	3

* Many respondents listed more than one use of weather information, thus, totals would add up to greater than 706.

TABLE 3.5

CALIFORNIA AGRICULTURAL WEATHER TASK FORCE

ANALYSIS OF USER SURVEY

Type of Weather Information Needed

	Currently Received (A)	Would Like To Receive (B)	Total (A + B)	Percent of Users (n = 706)
Rain - Intensity	433	142	575	81
- Timing	434	138	572	80
Air Temperature - Maximum/Minimum	451	80	531	75
Wind - Speed	348	120	468	66
- Direction	296	109	405	57
Fruit Frost	325	48	373	53
Wind - Timing	235	134	369	52
Evapotranspiration (ET)	149	177	326	46
Air Temperature - Mean or Average	229	95	324	45
Burning Conditions	262	58	320	45
Relative Humidity	223	89	312	45
Dewpoint	241	66	307	43
Soil Temperature	132	164	296	42
Soil Moisture	110	152	262	37
Cloud Cover - Timing	117	117	234	33
- Duration	96	119	215	30
Hail	101	115	216	30
Radiation	70	87	157	22
Snowpack and Runoff	113	43	156	22
Dew Deposition	76	71	147	21
Other (Please Specify)	8	6	14	2

* Many respondents listed more than one type of weather information needed, thus, totals would add up to greater than 706.

Graph 3.B

CALIFORNIA AGRICULTURAL WEATHER TASK FORCE

ANALYSIS OF USER SURVEY

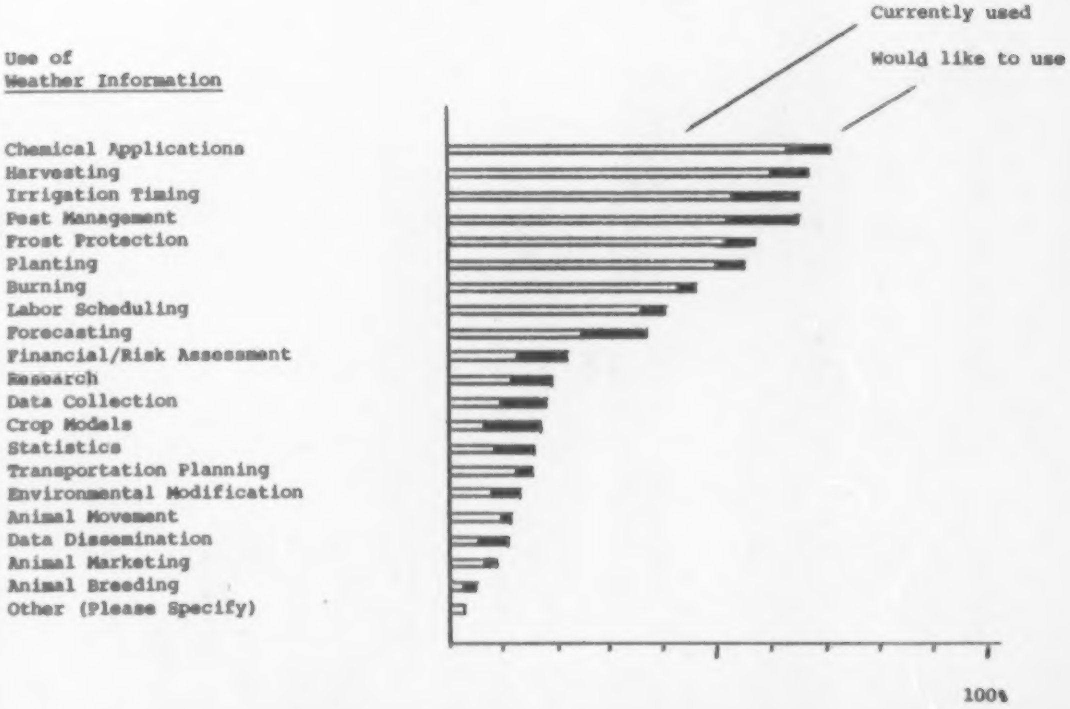


TABLE 3.6

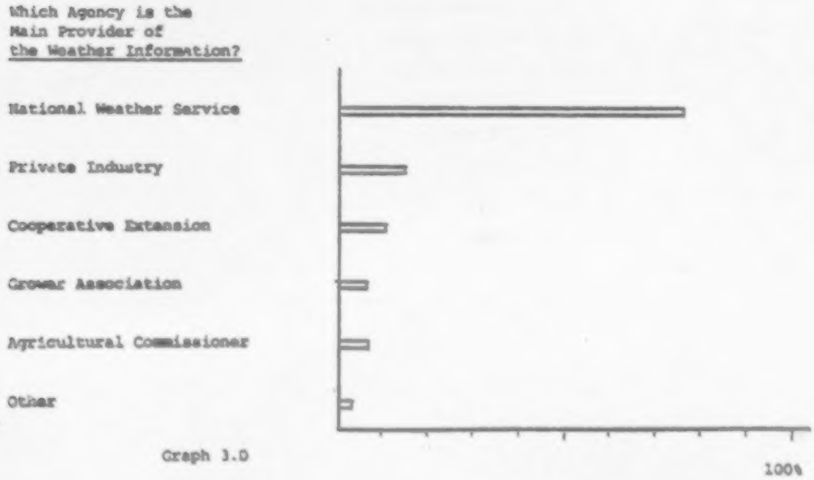
CALIFORNIA AGRICULTURAL WEATHER TASK FORCE

ANALYSIS OF USER SURVEY

Which Agency is the Main Provider of Weather Information?

	Number	Percent of Users (n = 706)
National Weather Service	536	76
Private Industry	104	15
Other	80	11
Cooperative Extension	53	7
Grower Association	54	7
Agricultural Commissioner	22	3
Total	849	

* Some respondents listed more than one Agency as the main provider of the weather information, thus, total number add up to greater than 706.



Graph 3.0

Graph 3.C

CALIFORNIA AGRICULTURAL WEATHER TASK FORCE

ANALYSIS OF USER SURVEY

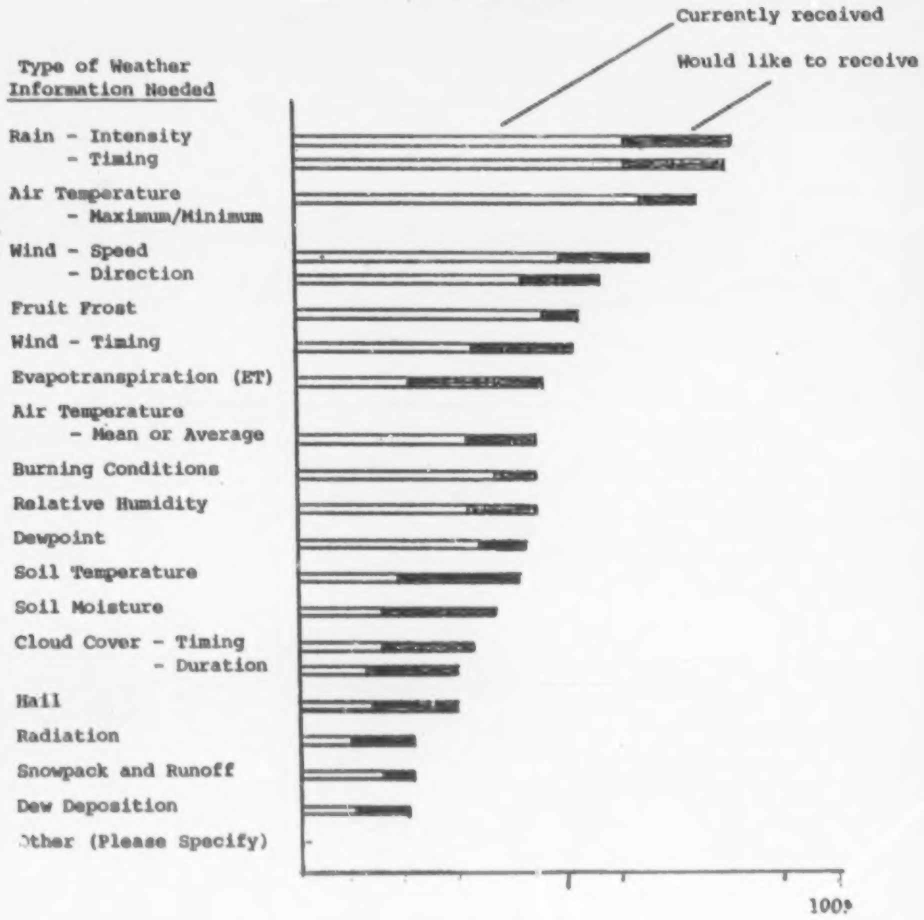


TABLE 3.7

CALIFORNIA AGRICULTURAL WEATHER TASK FORCE

ANALYSIS OF USER SURVEY

Mode of Receiving Weather Information

	Currently Received (A)	Would Like To Receive (B)	Total (A + B)	Percent of Users (n = 706)
Radio	580	10	590	83
Television	554	10	564	79
Telephone Recording	304	87	391	55
Continuous Weather Radio	294	80	374	53
Newspaper	362	7	369	52
Computer	46	138	184	25
Own Equipment	88	38	126	17
Other	46	10	56	7

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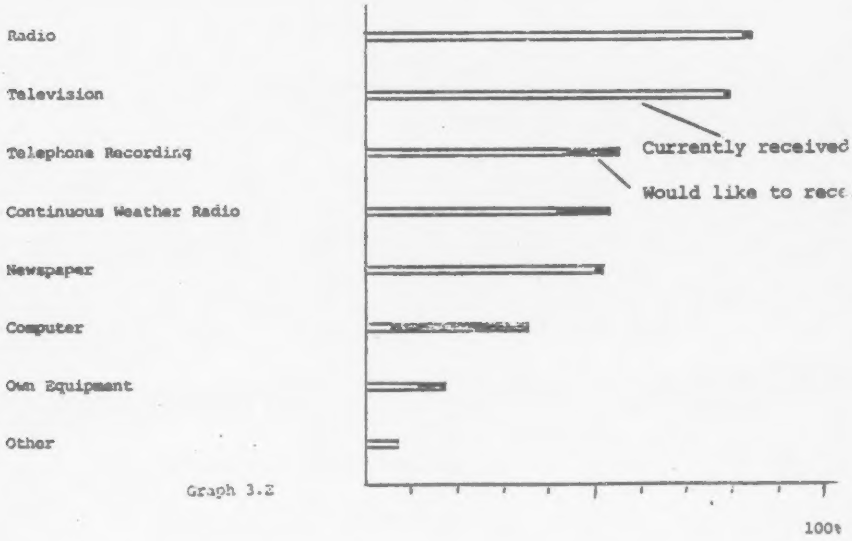
* Many respondents listed more than one mode of receiving weather information, thus, totals would add up to greater than 706.



Graph 3.2

TABLE 3.8

CALIFORNIA AGRICULTURAL WEATHER TASK FORCE

ANALYSIS OF USER SURVEY

Time Frames For Receiving Weather Information

TIME FRAME	PRIORITY 1	2	3	4	5
Three Months	20	21	147	191	67
One Month	17	68	171	116	31
Three to Five Days	41	127	97	26	71
One to Two Days	85	119	3	23	17
Real Time	119	7	0	5	69

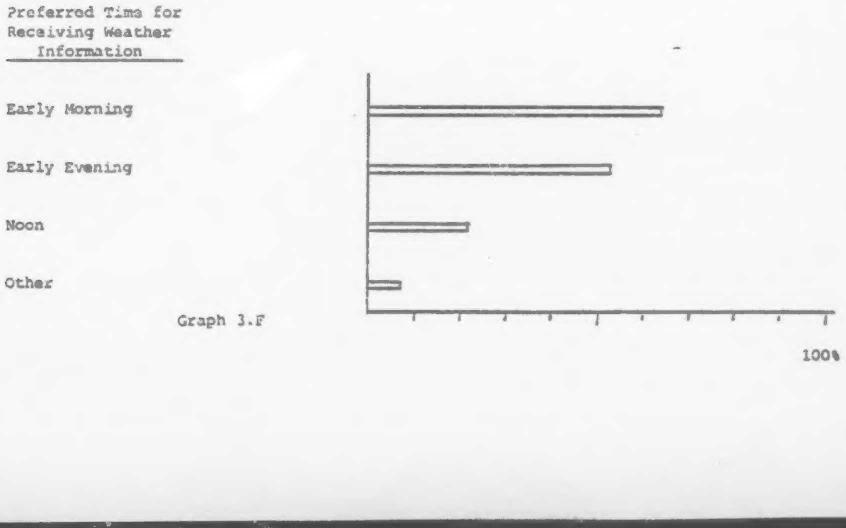
TABLE 3.9

CALIFORNIA AGRICULTURAL WEATHER TASK FORCE

ANALYSIS OF USER SURVEY

Preferred Time For Receiving Weather Information

OPTIONS	Number	Percent	Percent of Users (n = 706)
Early Morning	452	44	64
Early Evening	374	36	53
Noon	153	15	22
Other	53	5	7
Total	1,032	100	--



Graph 3.F

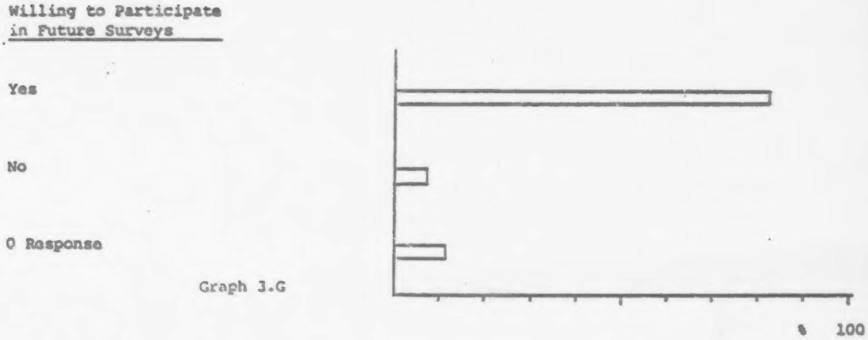
Table 3.10

CALIFORNIA AGRICULTURAL WEATHER TASK FORCE

ANALYSIS OF USER SURVEY

Willing to Participate in Future Surveys

	USERS	
	Number	Percent
Yes	577	82
No	52	7
0 Response	77	11
Total	706	100



Graph 3.G

TABLE 3.11

CALIFORNIA AGRICULTURAL WEATHER TASK FORCE

ANALYSIS OF USER SURVEY

Mode of Weather Information	Commodity Beef (n = 18)	 Dry Grains (n = 100)	(Percent of Users - N = 706) Fruit (n = 169)	 Nuts (n = 115)
Television	85	82	78	87
Radio	82	86	81	83
Newspaper	44	58	54	57
Continuous Weather Radio	36	45	49	56
Telephone Recording	30	38	52	56
Computer	6	5	6	6
Own Equipment	9	8	12	18
National Weather Service	69	79	79	73
Agricultural Commissioner	1	3	3	3
Cooperative Extension	4	7	10	16
Private Industry	17	18	15	13
Growth Association	1	6	15	12
Priority				
3 - Month Outlook	10	1	1	0
1 - Month Outlook	3	3	4	1
3 - 5-Day Forecast	21	23	19	29
1 - 2-Day Forecast	20	23	29	43
Real Time	10	13	11	6
Early Morning	58	69	64	71
Noon	18	24	27	29
Evening	50	41	59	70

4.0 EVALUATION OF SERVICES, TECHNOLOGY AND USERS' NEEDS WITHIN THE CALIFORNIA AGRICULTURAL WEATHER SYSTEM

This section of the report will analyze how users' needs compare to present agricultural weather technology and services. The type of weather information needed as well as the use of weather information will be compared with the distribution of weather stations and services provided in all major agricultural regions of California.

Precipitation, air temperature, wind characteristics, humidity, soil temperature and solar radiation are the types of weather measurements most commonly needed. The location of weather stations and the level of demand for weather informatio are indicated on maps 4.1 to 4.6. The level of demand has been estimated from the users' survey as high-medium-low. It can be seen from these maps that the weather stations monitoring precipitation, air temperature and wind are providi the most complete coverage of all state agricultural regions. The weather stat monitoring soil temperature and solar radiation are well distributed in the sout part of the San Joaquin Valley and in the Salinas-King City area. Generally, t users in these two regions and also in the Sacramento Valley have a high demand for weather data.

The users' survey indicates that weather information is most frequently applie for chemical applications, pest management, irrigation management, frost protection, planting, harvesting and burning. In the management of these operation growers frequently need either single weather parameter, such as soil temperatur for planting and burning, or a set of weather data, such as for irrigation and frost protection.

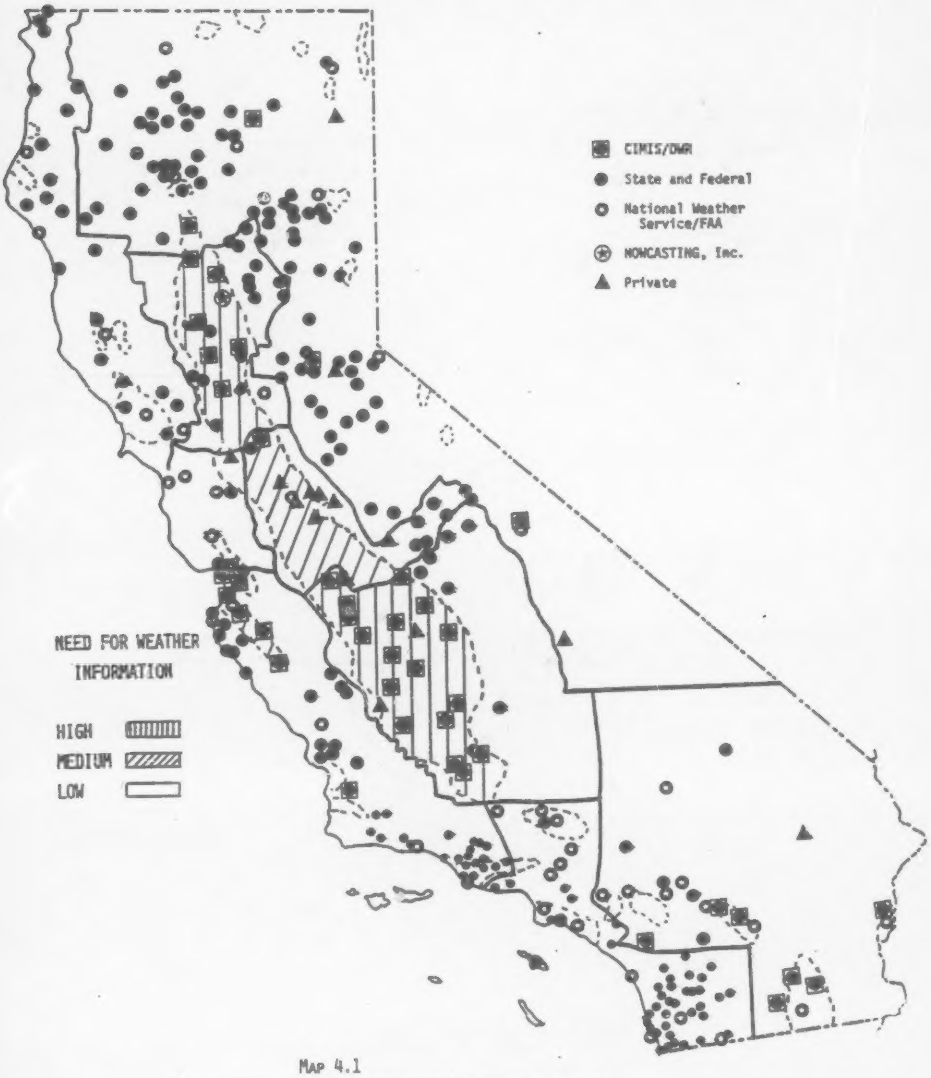
Map 4.7 indicates the location of weather stations which monitor data applicable to frost protection. There is a widespread need for frost protection services in the production of fruits, grapes, nuts and some types of vegetables. This service is needed in late Winter/early Spring months. The weather data monitored include air temperature (minimum/maximum), wind and humidity. The areas sensitive to frost damages are generally well covered by weather stations, but local information is highly important in frost protection. The location of weather stations must be in harmony with specific local needs.

The data on wind characteristics are important in chemical applications and agricultural burning. Generally, there is a good distribution of weather stations to provide this information in all major agricultural regions (map 4.8).

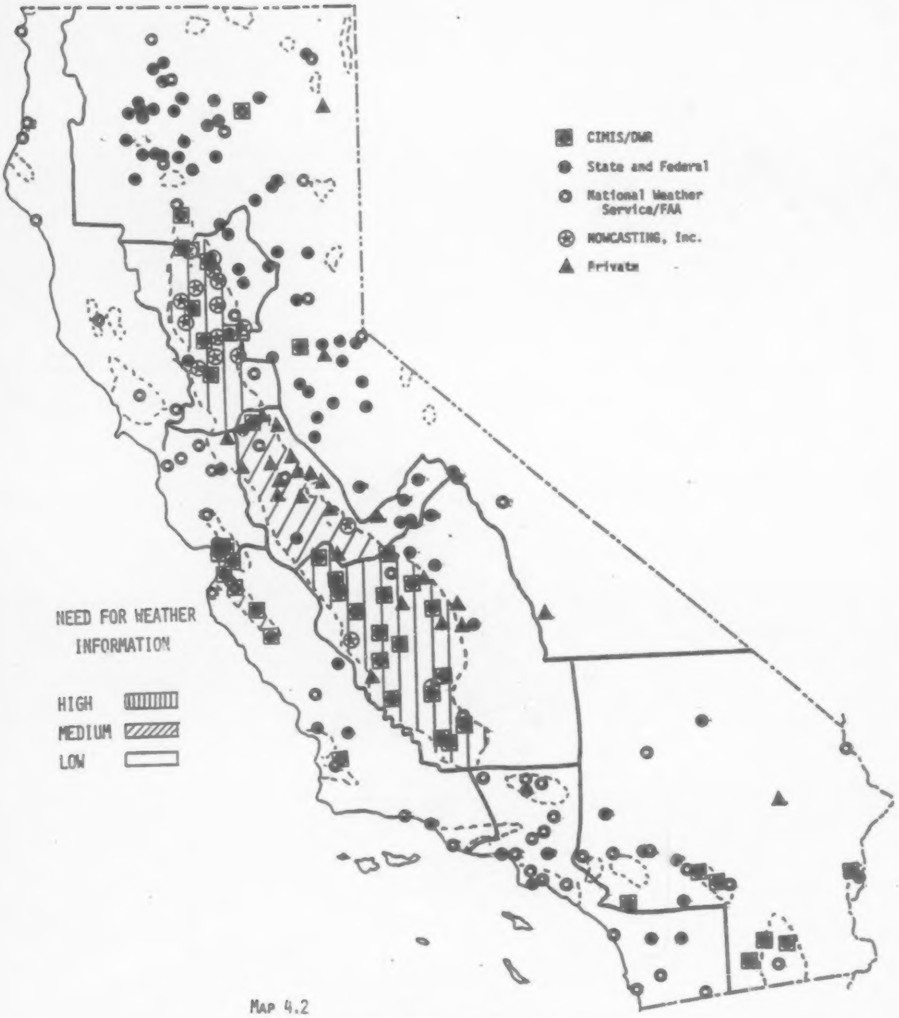
Soil temperature is an important variable for planting crops, such as cotton in the Southern San Joaquin Valley and desert valleys. There is widespread coverage in these regions (map 4.9), but large variability exists because of soil types.

Given the character of California agriculture, irrigation management is important in all major farming areas. Weather data on air temperature, humidity, wind and solar radiation are essential in on-farm water management. A rather insufficient coverage of weather stations is in the Northern San Joaquin Valley and some other agricultural valleys (map 4.10). An acceptable coverage is on farms in desert areas.

It can be seen from the maps (4.1 to 4.10) that weather stations are located in all major agricultural regions of California. Generally, the locations of these stations are well correlated with users' needs. In some specific areas a further improvement in monitoring and delivery of weather data is required. Presently, there is a lack of uniformity and compatibility in monitoring and transmitting weather information. The California Agricultural Weather Committee will address this problem; it will also provide a means of coordinating the work of the National Weather Service with CIMIS, Nowcasting and other weather services. In this way, the duplication of efforts will be avoided. The coordinated effort will result in the high efficiency of agricultural weather services in California.

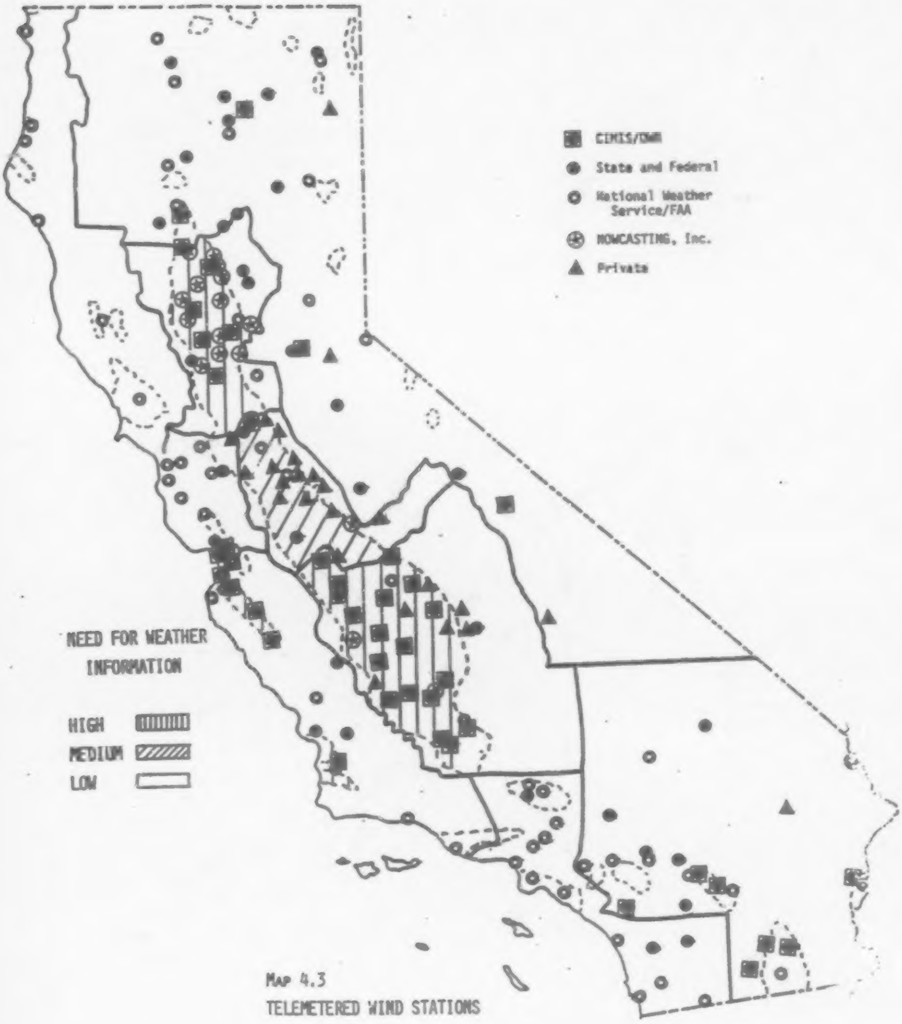

CIMIS/DWR
State and Federal
National Weather Service/FAA
NOWCASTING, Inc.
Private
NEED FOR WEATHER INFORMATION
HIGH
MEDIUM
LOW

Map 4.1
TELEMETERED PRECIPITATION STATIONS

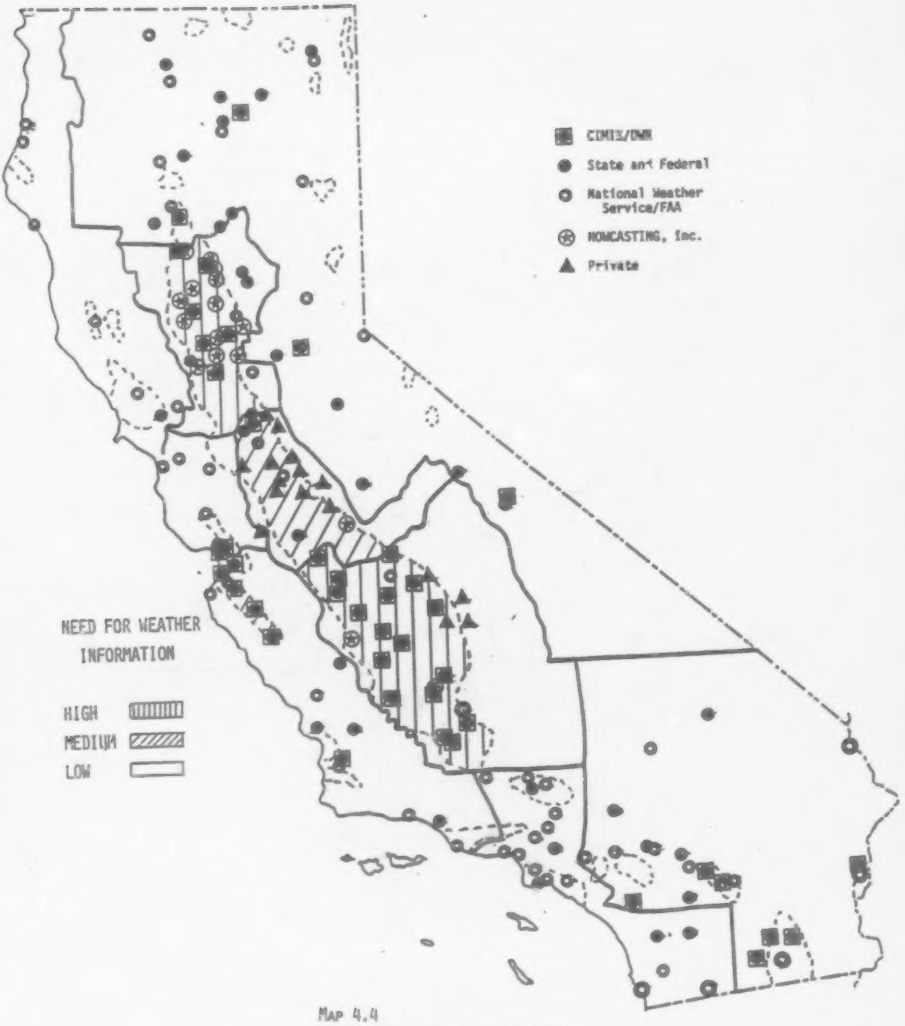

CIMIS/DWR
State and Federal
National Weather Service/FAA
NOWCASTING, Inc.
Private
NEED FOR WEATHER INFORMATION
HIGH
MEDIUM
LOW

MAP 4.2

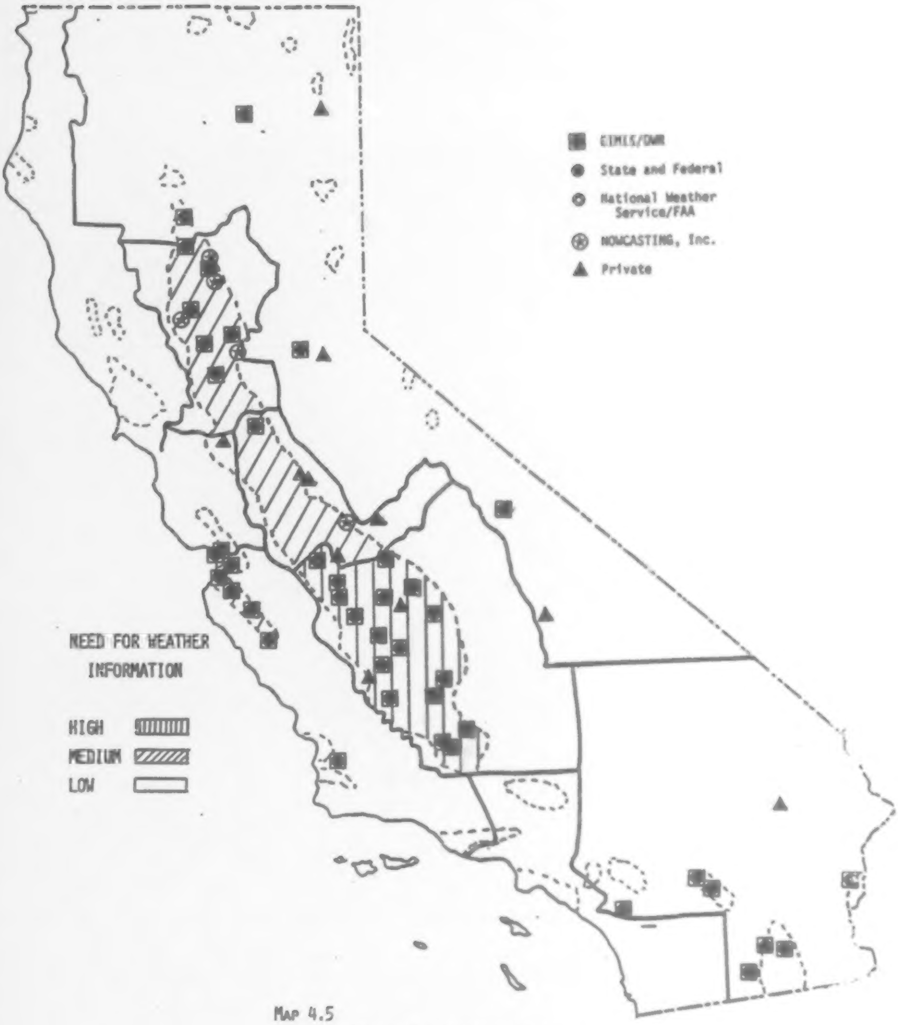
TELEMETERED AIR TEMPERATURE STATIONS


CIMIS/DWR
State and Federal
National Weather Service/FAA
NOWCASTING, Inc.
Private
NEED FOR WEATHER INFORMATION
HIGH
MEDIUM
LOW

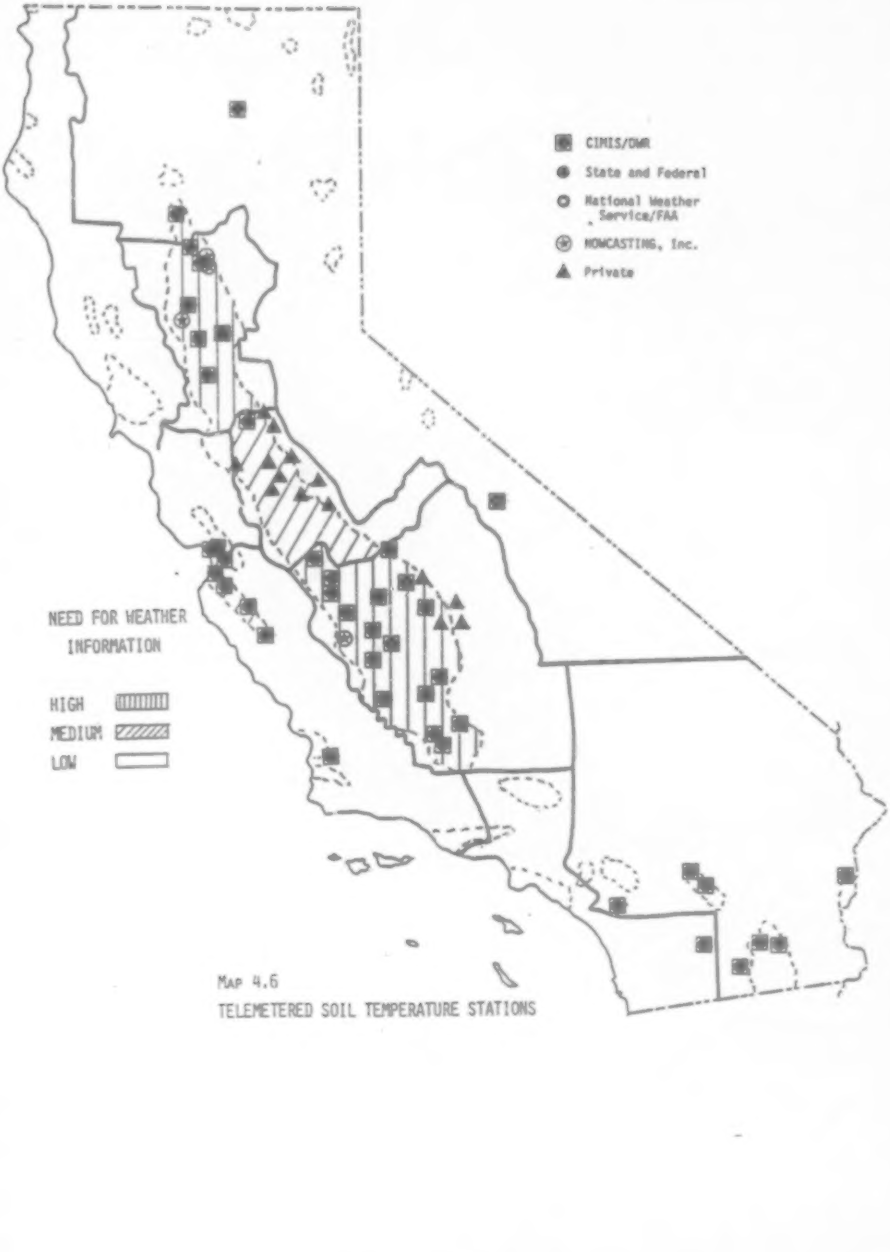
MAP 4.3
TELEMETERED WIND STATIONS


■ CIMIS/DWR
● State and Federal
○ National Weather Service/FAA
⊛ NOWCASTING, Inc.
▲ Private
NEED FOR WEATHER INFORMATION
HIGH ▥
MEDIUM ▨
LOW ☐

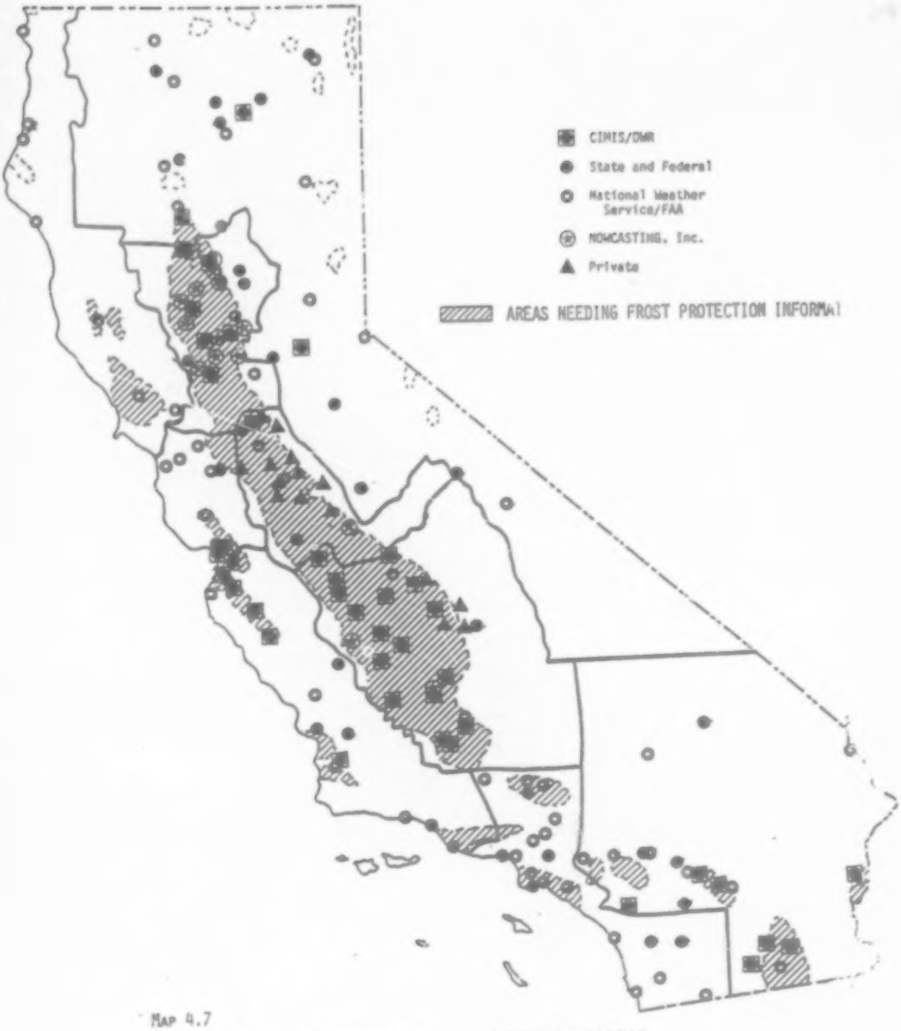
MAP 4.4
TELEMETERED HUMIDITY STATIONS


CIMIS/DWR
State and Federal
National Weather Service/FAA
NOWCASTING, Inc.
Private
NEED FOR WEATHER INFORMATION
HIGH
MEDIUM
LOW

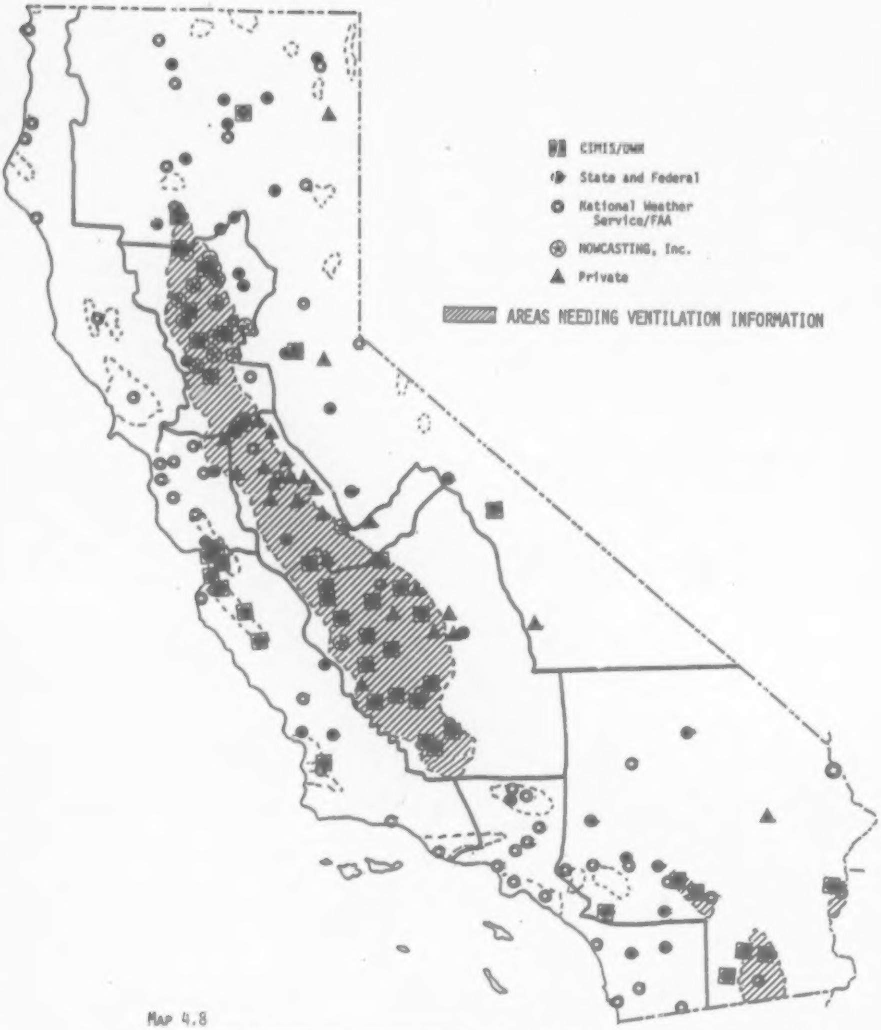
MAP 4.5
TELEMETERED SOLAR RADIATION STATIONS


CIMIS/DWR
State and Federal
National Weather Service/FAA
NOWCASTING, Inc.
Private
NEED FOR WEATHER INFORMATION
HIGH
MEDIUM
LOW

Map 4.6
TELEMETERED SOIL TEMPERATURE STATIONS

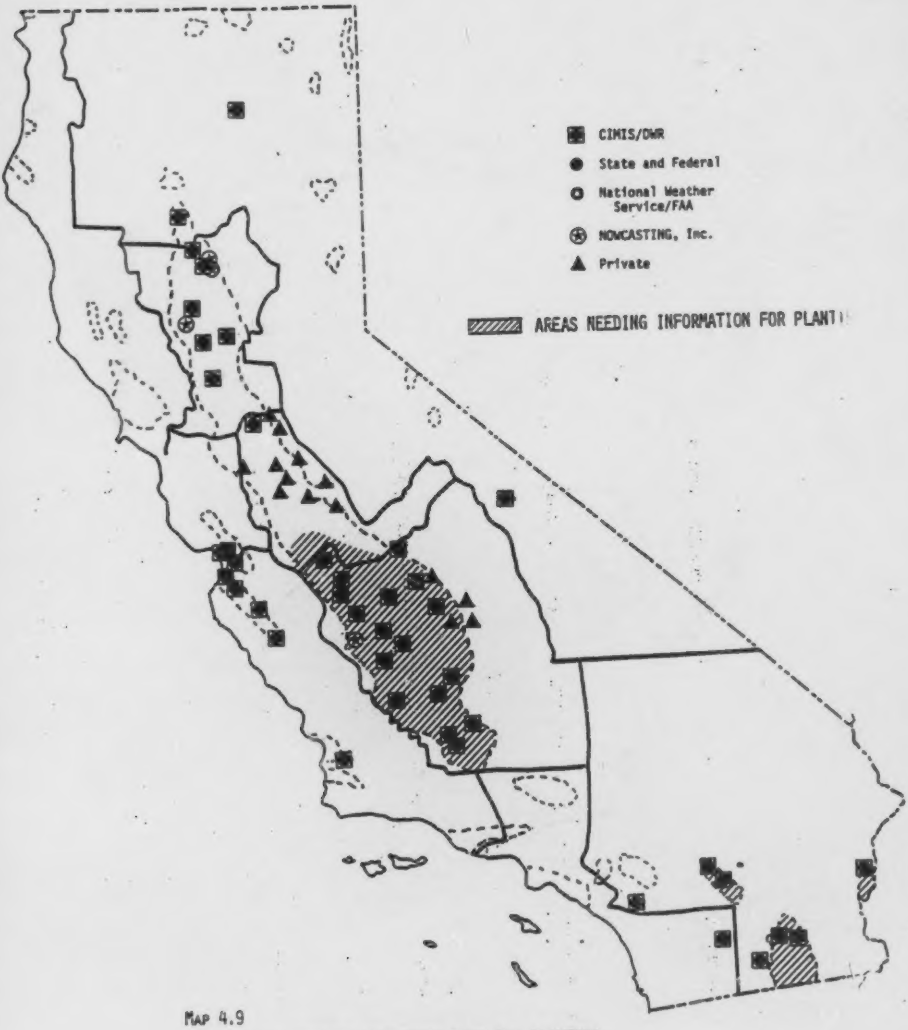

CIMIS/DWR
State and Federal
National Weather Service/FAA
NOWCASTING, Inc.
Private
AREAS NEEDING FROST PROTECTION INFORMA

Map 4.7
TELEMETERED STATIONS MONITORING DATA FOR FROST PROTECTION

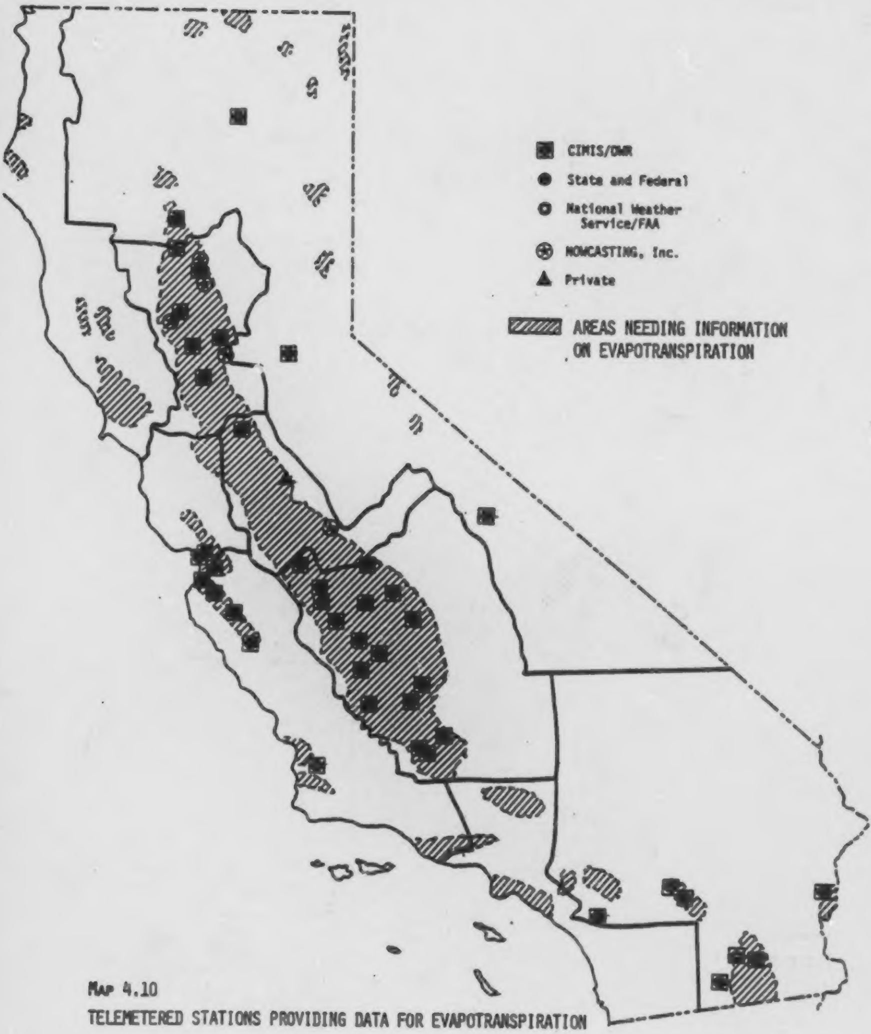

CIMIS/DWR
State and Federal
National Weather Service/FAA
NOWCASTING, Inc.
Private
AREAS NEEDING VENTILATION INFORMATION

Map 4.8

TELEMETERED STATIONS MONITORING DATA FOR VENTILATION


CIMIS/DWR
State and Federal
National Weather Service/FAA
NOWCASTING, Inc.
Private
AREAS NEEDING INFORMATION FOR PLANT

MAP 4.9
TELEMETERED STATIONS PROVIDING DATA FOR PLANTING


CIMIS/DWR
State and Federal
National Weather Service/FAA
NOWCASTING, Inc.
Private
AREAS NEEDING INFORMATION ON EVAPOTRANSPIRATION

MAP 4.10

TELEMETERED STATIONS PROVIDING DATA FOR EVAPOTRANSPIRATION

APPENDIX A

Please fill out and return by Tuesday, May 1st.

1. Occupation ______________ 2. County(ies) that you work in: ______________

3. Primary commodities that you work with: (Please rank top three by importance.)

☐ 5
☐ 6-7
For Office Use Only
☐ 8-9
☐ 10-11
☐ 12-13

Livestock

___ Beef
___ Dairy
___ Fish
___ Horses
___ Poultry
___ Sheep
___ Swine

Field Crops

___ Cotton
___ Dry Beans
___ Feed Grains
___ Hay
___ Rice
___ Sugar
___ Wheat

Fruits & Vegetables

___ Avocados
___ Citrus
___ Other Fruit
___ Grapes
___ Nuts
___ Tomatoes
___ Other Vegetables

Other

___ Bees
___ Flowers
___ Plants
___ Timber
___ Other

4. How do you use weather information in your occupation?

	1 Current use	2 Would like to use	3 Information Not Applicable
14 Irrigation timing..............			
15 Pest management................			
16 Chemical applications..........			
17 Frost protection...............			
18 Labor scheduling...............			
19 Crop models....................			
20 Harvesting.....................			
21 Planting.......................			
22 Burning........................			
23 Transportation planning........			
24 Animal breeding................			
25 Animal movement................			
26 Animal marketing...............			
27 Environ. modification..........			
28 Research.......................			
29 Statistics.....................			
30 Financial/risk assessment......			
31 Data collection................			
32 Data dissemination.............			
33 Forecasting....................			
34 Other (please specify).........			

5. How do you receive weather information and how would you like to receive it?

	1 Currently received:	2 Would like to receive via:
35 Television..............................		
36 Radio...................................		
37 Newspaper...............................		
38 Continuous weather radio (NOAA)..........		
39 Telephone recording.....................		
40 Computer................................		
41 Own equipment...........................		
42 Other (please specify)..................		

6. What weather information do you currently work with or would like to have?

	1 Currently	2 Would like to get	3 Information Not Applicable
43 Rain - intensity..................	____	____	____
44 - timing......................	____	____	____
Air temperature			
45 - maximum/minimum............	____	____	____
46 - mean or average............	____	____	____
47 Wind - speed.......................	____	____	____
48 - direction..................	____	____	____
49 - timing.....................	____	____	____
50 Fruit frost.......................	____	____	____
51 Dewpoint..........................	____	____	____
52 Dew deposition....................	____	____	____
53 Relative humidity.................	____	____	____
54 Radiation.........................	____	____	____
55 Cloud cover - timing..............	____	____	____
56 - duration...........	____	____	____
57 Burning conditions................	____	____	____
58 Snowpack and runoff...............	____	____	____
59 Hail..............................	____	____	____
60 Soil temperature..................	____	____	____
61 Soil moisture.....................	____	____	____
62 Evapotranspiration (ET)...........	____	____	____
63 Other (please specify)............	____	____	____

7. What time frames are important to you in receiving weather information? (Please number in order of priority.)

____ 3-month outlooks 64
____ 1-month outlook 65
____ 3- to 5-day forecast 66
____ daily or two-day forecast 67
____ 'real time' (or current) conditions 68

8. When do you prefer to receive weather information?

____ early morning 69
____ noon 70
____ early evening 71
____ other 72

9. What agency or entity is the main provider of the weather information you receive?

____ National Weather Service 73
____ Agricultural Commissioner 74
____ Cooperative Extension 75
____ Private industry 76
____ Grower association 77
____ Other (please specify) ____________ 78

10. Would you be willing to participate in future surveys or other activities on this subject? 79

1 ____ Yes
2 ____ No

If you have further comments pertaining to agricultural weather needs in your area, please feel free to enclose them on a seperate sheet. Your time and effort in filling out this survey is greatly appreciated.

The California Agricultural Weather Task Force

PREPARED STATEMENT OF CAROLE H. ALLEN

CHAIRMAN

HEART

The Honorable Paul Laxalt
Chairman, Subcommittee on Commerce, Justice, State
The Judiciary and related agencies
Senate Appropriations Committee
Room S-128, Capitol
Washington, D. C. 20510

Re: Statement of HEART (Help Endangered Animals-Ridley Turtles) regarding the Fiscal Year 1986 Budget of the Department of Commerce, National Oceanic and Atmospheric Administration, National Marine Fisheries Service.

Activity: Marine Fishery Resource Program
Sub-Activity - Information Collection and Analysis.

Resource Information: Aquaculture Resource and Development Program. Kemp's ridley sea turtle "headstart" program.

Dear Chairman Laxalt:

HEART (Help Endangered Animals-Ridley Turtles) thanks you for the opportunity to comment on the proposed Fiscal Year 1986 budget of the National Marine Fisheries Service of the Department of Commerce. We ask that our comments be inserted in the record of the appropriate hearing date regarding this matter. We also ask that the enclosed materials about HEART and our activities be inserted in the record.

We first want to thank you and your committee for last's year's provisions in the budget to continue the "headstarting" project of the Kemp's ridley sea turtle at the Galveston, Texas, laboratory of National Marine Fisheries Service. You clearly show your concern with the environment and endangered species. HEART has continued to work this past year to educate the public about the turtles and the program to save them. We also have made some significants strides in obtaining support from the private sector which, of course, is the President's wish.

Just to review the project itself, the "headstarting" program of the National Marine Fisheries is a vital part of the team effort going on to save the most critically endangered sea turtle of all, the Kemp's ridley. Through cooperation between the Mexican government, the U. S. Fish and Wildlife Service, National Park Service, the Gladys Porter Zoo at Brownsville, Texas, the Coast Guard, Texas Parks and Wildlife, and the National Marine Fisheries, this turtle has a chance to survive. Each summer, some 2000 turtle eggs from the only nesting site of the species at Rancho Nuevo, Mexico, are brought to the Padre Island National Seashore at Corpus Christi, Texas. The eggs are incubated and the tiny turtles are allowed to crawl down the beach toward the Gulf. This procedure is an attempt to "imprint" the hatchlings on the U. S. beach so when they are mature, they will start a second nesting colony there.

Next, the baby turtles are brought to the National Marine Fisheries Lab at Galveston where they are raised until they are about 10 months old and big enough to survive readily in the wild. (Only 1 percent of hatchlings not headstarted survive in the wild.) The small staff of dedicated, hard workers at Galveston take an interest in the welfare of each tiny turtle as they are raised during the year. Working in the Turtle House at Galveston in the middle of a Texas summer with temperatures soaring and the humidity at near 100 per cent is a challenge met eagerly by the NMFS personnel. Their motivation is saving the Kemp's ridley sea turtle from extinction by completing their phase of the project successfully. And they do. On May 21, over 1100 healthy and sturdy yearling turtles will be released into the Gulf of Mexico to replenish the population decimated by the exploitation of man for so many years.

HEART's goal is to educate the public about the fine work of the various U.S. agencies to save the Kemp's ridley and to explore ways we can supplement and assist National Marine Fisheries with their work. We feel our progress in this area is a good example of the President's wish that the private sector involve itself in projects of this nature. As we have pointed out before, however, since the turtles nest only in Mexico and many regulations must be adhered to, this is a program which needs to be kept in the federal budget and administered by the various agencies involved including National Marine Fisheries Service.

For the past two years, the school children of the United States have bought the Purina Turtle Chow to feed the hatchlings at Galveston. HEART has also provided a summer worker through the Exxon Summer Jobs program to assist at the Laboratory. We have collected donations to provide a new Honda vehicle with trailer and tents for the beach operation at Rancho Nuevo, Mexico. We have distributed 5000 brochures about the program and its importance to the survival of the Kemp's ridley.

Mayor Jan Coggeshall has proclaimed April 22-26, 1985 as Turtle Week in Galveston to focus attention on the program and work of the National Marine Fisheries Service.

An article appeared in Ranger Rick's Nature Magazine of the National Wildlife Federation in November 1984 (copy enclosed) featuring pictures and information about the Kemp's ridleys. Hundreds of letters have been received from 40 states, Venezelua, Canada, India, and Singapore. Many of the letters come from teachers and Scout leaders who want to help the turtles.

A prominent Houston/Galveston developer, Mr. J. R. McConnell has advised us within the last three weeks that he will donate supplies and labor to construct an additional Turtle House for the National Marine Fisheries Service at Galveston so that 1000 additional turtles may be "headstarted" this next year. We feel McConnell's interest in the program is typical of many Americans who appreciate the work of NMFS and want to see it expanded.

We are working as hard as we can to support the "headstart" program of the Kemp's ridley sea turtle. We can speak for thousands of people who feel their tax dollars are well spent to bring an endangered turtle back from the brink of extinction. Billy Cottrell of Northfield, Illinois, sent his entire week's allowance of $1.00 and wrote "Please use this to help the turtles." HEART is offering to your committee the work that we have done and the funds that we have raised with the same message: please use this to help the turtles.

Sincerely,

Carole Allen

Mrs. Carole H. Allen
Chairman - HEART

NorTh field
IL 60093

Dear Heart
I am sending
You my allowanc-
e for one
week. I am 7
years old.
Please use
this to help
the turtles.
Billy Cottrill 628 Hatfield

CITY OF GALVESTON, TEXAS

Office of the Mayor

Proclamation

I, JANICE R. COGGESHALL, *by virtue of the authority vested in me as Mayor of the City of Galveston, Texas, do hereby Proclaim*

APRIL 22 - 26, 1985

as

"TURTLE WEEK"

in the City of Galveston, and urge each and every citizen to focus attention on the Kemp's ridley sea turtle and to visit the facility at National Marine Fisheries Service to see the turtles.

In testimony whereof, witness my hand and the Seal of the City of Galveston, this the 4th *day of* APRIL, *A. D.* 1985.

Janice R. Coggeshall

MAYOR, CITY OF GALVESTON, TEXAS

Attest:

CITY SECRETARY

PREPARED STATEMENT OF THE NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS

This statement is submitted for the record to the Subcommittee on Commerce, Justice, State and Judiciary of the Senate Committee on Appropriations on behalf of the National Association of Regulatory Utility Commissioners (NARUC).

The NARUC is a quasi-governmental, nonprofit organization founded in 1889. Within our membership are the governmental agencies of the fifty States, the District of Columbia, Puerto Rico and the Virgin Islands which are engaged in the regulation of utilities and carriers. Our chief objective is to serve the consumer interest by seeking to improve the quality and effectiveness of government regulation in America.

The Association greatly appreciates this opportunity to request your support for funding to defray the travel expenses of the State members of the Federal Communications Commission's (FCC's or the Commission's) Federal-State Joint Board on jurisdictional separations and access charges (CC Docket Nos. 78-72 and 80-286) and their supporting staff members for the 1986 Fiscal Year (FY).

Since our members represent the State governmental agencies which regulate intrastate telecommunications, we are extremely interested in ensuring that the Joint Board remains an effective body able to assist the FCC in implementing and monitoring the many changes currently taking place in the telecommunications industry. The role of the Joint Board in developing national telecommunications policy has proven an immeasurable benefit to consumers and the nation as a whole. Our statement traces the activities of the present Joint Board since its inception with particular emphasis on the role of the Joint Board in achieving a compromise to the access charge plan proposed by the FCC in 1982.

The Role of The Federal-State Joint Board

The present Joint Board was convened in 1980 following the institution of a proceeding on June 11, 1980, to amend Part

67 of the commission's rules concerning jurisdictional separations. The Joint Board was established to develop the relevant revisions pursuant to Section 410(c) of the Communications Act.[1]

On June 10, 1981 the Joint Board adopted an order requesting comments concerning a variety of issues it tentatively decided to address in the proceeding. Included in the order was a request for comments concerning a staff proposal calling for the gradual phase-out of customer premises equipment (CPE) of the separations process over a five-year period. On December 14, 1981, the Joint Board issued a recommended Decision and Order proposing such a phase-out and capped CPE plant accounts for separations purposes as of December 11, 1982. Also on December 14, 1981, the Joint Board adopted a Recommended Decision and Order proposing that the FCC freeze the subscriber plant factor (SPF) at the average 1981 annual percentage level, effective January 1, 1982, to preserve the status quo pending Commission prescription of a new method for allocating non-traffic sensitive (NTS) costs. On February 24, 1982, the FCC adopted these recommendations with minor technical modifications.[2]

On November 15, 1982, the Joint Board issued an order requesting further comment concerning the procedures for allocation of NTS and traffic sensitive (TS) local exchange plant between the interstate and intrastate jurisdictions.[3]

On April 15, 1983, the Federal-State Joint Board issued its Second Recommended Decision and Order in CC Docket No. 80-286 recommending to the Commission a new jurisdictional allocation methodology for certain telephone company costs. The Joint Board also recommended the level of funding for a universal service fund to provide targeted rate support to telephone subscribers in high cost rural areas. In order to provide the greatest opportunity to accommodate Federal and State interests and to ensure that industry and consumer representatives had the best chance to present their views, the Joint Board conducted several meetings in Washington, D.C. and a series of eleven regional hearings. The Commission subsequently adopted the Joint Board's recommendations with changes and clarifications.

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[1] Section 410(c) of the Communications Act of 1934 [49 U.S.C., Sec. 410(c)] provides that the FCC shall refer any proceeding regarding the separation of telephone company property between Federal and State jurisdiction, and may refer any other matter of joint Federal-State concern, to a Joint Board composed of three FCC commissioners and four State commissioners. Section 410(a) of the Act provides that the Joint Board members receive such allowances for expenses as the Commission shall provide.

[2] On the same day, the Joint Board recommended amendment of the CPE plan designed to allow individual States to advance the date for capping the CPE accounts on a company by company basis. After allowing an opportunity for comment on this proposal, the Commission adopted the Joint Board recommendation with minor modifications on May 24, 1982.

[3] The Joint Board also requested comments on other jurisdictional separations issues as well as legal and procedural matters.

In 1984, the Joint Board played an active and very significant role in resolving many post-divestiture and other telecommunications issues. The role played by the Joint Board in achieving a compromise alternative to the FCC's access charge plan is perhaps the most telling example of the Joint Board's immeasurable contribution to consumers and the nation as a whole in developing national telecommunications policy.

NTS fixed local exchange telephone plant costs assigned to the interstate jurisdiction were once recovered through interstate toll rates. However, in December 1982, the FCC established a uniform "subscriber line charge" to recover a major portion of NTS costs. The proposal called for a $2.00 per month charge for residential customers in 1984 increasing to $3.00 in 1985 and $4.00 in 1986. State regulators were strongly opposed to the FCC subscriber line plan on grounds that the plan would effectively threaten affordable and available telephone service for all citizens in the United States. Indeed, the NARUC so testified before Congress in 1983. Nevertheless, the FCC reaffirmed in February 1984 its conclusion that recovery of NTS costs through a subscriber line charge would serve the public interest. In April 1984, the Joint Board was asked by the Commission to examine how best to implement an end user access charge for residential and single line business customers. In view of widespread opposition to the access charge plan, the Joint Board was granted authority to develop possible alternatives to the end user access charge.

After months of careful examination and negotiation, the Joint Board recommended that the FCC implement only limited subscriber line charges for residential and single line business subscribers. Under this proposal, a $1.00 monthly subscriber line charge for these customers would be implemented effective June 1985, increasing to and frozen at $2.00 per month effective June 1986.

We strongly believe that the cooperation between Federal and State regulators through the Joint Board process to achieve a more workable and eminently more fair access charge plan clearly demonstrates the Joint Board's effectiveness in developing national telecommunications policy. Similar cooperation is expected to resolve the remaining complex areas that the Joint Board has been ordered to examine. These areas include evaluation of the access charge plan; developing a lifeline plan; developing appropriate separations procedures for the allocation of the costs associated with implementing equal access and network reconfiguration as required by the Modification of Final Judgement; developing procedures for the assignment of WATS closed-end access lines; identifying the effects of end user access charges for Centrex CO lines and developing proposals to ensure that universal service is not adversely affected; and the preparation of a number of miscellaneous revisions in the jurisdictional separations procedures necessitated by changes in the uniform system of accounts or the provision of new services.

The Joint Board will continue to play an active role in future telecommunications policy decisions. Since the issues assigned to the Board are of a national scope, their efforts require a significant amount of travel by the State members and their staff to Washington, D.C. and by all Joint Board members and their staff to other parts of the country.

Defraying the Travel Expenses of the State Members of the Federal State Joint Board

Due to the expanded role the Joint Board will undertake in the future, the NARUC respectfully requests that at a minimum the $100,000 requested by the Administration be appropriated for FY 1986 to defray the travel expenses of the four State members of the Joint Board and their staff. Indeed, the State contribution well exceeds the $100,000 in terms of the State-paid compensation to the seventeen State participants in the work of the Joint Board.

In the past, Congress has recognized that the participating State Joint Board members and their staff render a national service when a Joint Board is convened. In 1982 legislation involving telecommunications competition and deregulation contemplated the establishment of a Joint Board to examine crucial telecommunications issues. Thus, Section 222 of S.898 provided for the establishment of a Federal-State Joint Board to ascertain jurisdictional cost separations for the computation of access charges and for the employment of staff and payment of travel expenses for the four State Board members. Similarly, the transitional and interexchange Joint Boards in H.R. 5158, Section 274(i)(3), were authorized to appoint and fix the pay of staff personnel. Moreover, in 1983, the universal telephone service preservation legislation introduced in the House and Senate (H.R. 4102 and S.1660) envisioned the Joint Board as a permanent entity to administer a universal service fund for the maintenance of universal telephone service at affordable rates. Although the above-described legislation was never enacted by Congress, the contemplated role in each bill of a Federal-State Joint Board clearly demonstrates Congressional recognition of the significant contribution made by State regulators to the development of national telecommunications policy. State involvement is essential to determining crucial telecommunications issues, since State officials are uniquely situated to assess the needs of their consumers and to balance any competing interests. Moreover, the Federal government benefits in convening Joint Boards by acquiring the benefit of State expertise, conserving the use of Federal officials and strengthening Federal-State cooperation. It would be inappropriate for a few State commissions with limited travel budgets to bear the travel, food and lodging expenses of the cooperating commissioners when the service these officials and the staff provide is of national benefit.

Section 410(a) of the Communications Act provides the necessary authorization for the appropriation of these funds. The NARUC urges the Subcommittee to support the allocation of the necessary funds.

Conclusion

At a time when the telecommunications industry is undergoing a dramatic transformation it is imperative that Federal and State regulatory bodies continue to work together to implement the impending changes and ensure a smooth transition without disruption in services to the public. In order to maintain effective State participation in these efforts, we respectfully urge your support for an appropriation to defray the expenses of the State commission and staff members of the Federal-State Joint Board.

APPENDIX A

State Members Federal-State Joint Board to Consider Changes in the Separations Manual, Federal Communications Commission (FCC CC Docket No. 80-286)

Edward P. Larkin, Commissioner
New York Public Service Commission
New York, New York

Edward B. Hipp, Commissioner
North Carolina Utilities Commission
Raleigh, North Carolina

Edward F. Burke, Chairman
Rhode Island Public Utilities Commission
Providence, Rhode Island

Marvin R. Weatherly, Commissioner
Alaska Public Utilities Commission
Anchorage, Alaska

State Members Staff Committee for the Federal-State Joint Board

Ronald Choura, Chairman
Michigan Public Service Commission
Lansing, Michigan

Kathleen L. Whiteaker
Alaska Public Utilities Commission
Anchorage, Alaska

Guy E. Twombly
Maine Public Utilities Commission
Augusta, Maine

Gary A. Evenson
Wisconsin Public Service Commission
Madison, Wisconsin

Allen Bausback
New York Public Service Commission
Albany, New York

Timothy J. Devlin
Florida Public Service Commission
Tallahassee, Florida

State Members
Staff Committee for the Federal-State Joint Board

Robert E. Osborn
Iowa State Commerce Commission
Des Moines, Iowa

Paul Popenoe
California Public Utilities Commission
San Francisco, California

Hugh L. Gerringer
North Carolina Utilities Commission
Raleigh, North Carolina

Jim Lani
Rhode Island Public Utilities Commission
Providence, Rhode Island

Elton Calder
Georgia Service Commission
Atlanta, Georgia

Karen Lee Hochstein
Assistant Director of Congressional Relations
National Association of Regulatory Utility Commissioners
Washington, D.C.

PREPARED STATEMENT OF BAILEY S. BERNARD

PRESIDENT

NATIONAL ASSOCIATION OF GOVERNMENT GUARANTEED LENDERS

Mr. Chairman and members of the Committee, I appreciate the opportunity to testify in strong support of retaining of the Small Business Administration and its business loan guarantee program.

My name is Biff Barnard. I am President of the National Association of Government Guaranteed Lenders (NAGGL) and Chairman of the Board and Chief Executive Officer of First Capital California Business and Industrial Development Corporation (First Capital CALBIDCO) located in San Francisco.

NAGGL is an organization of lenders, brokers, and investors that actively participate in the loan guarantee program of the Small Business Administration. The Association represents both large and small lenders who collectively are responsible for a large part of SBA guaranteed lending activity done nationally.

The National Association of Government Guaranteed Lenders adamantly opposes the Reagan Administration's Budget Proposal to eliminate the Small Business Administration. The Administration proposal is counterproductive to achieving the goals of reducing the budget deficit while stimulating economic growth. NAGGL strongly supports the SBA guaranteed loan program for small business as a partnership between the public and private sectors using private sector capital to create jobs and stimulate the economy.

NAGGL was formed for the purposes of building greater awareness among decision makers in both the public and private sectors of the true benefits of the SBA guaranteed loan program and its contribution to job creation and economic growth and assisting the Small Business Administration in making its loan guarantee program more cost effective and more available to America's small businesses.

RETAIN THE SBA

It is the position of the National Association of Government Guaranteed Lenders that the Small Business Administration MUST maintain its status as an autonomous agency whose mission should be to advocate for and assist America's small businesses in a partnership with the private sector. Recognizing the importance of small business as a source of job creation and economic growth, Congress created the Agency to provide a source of long term capital for this vital sector of our national economy.

RETAIN THE LOAN GUARANTEE PROGRAM

The mandate of the SBA has broadened over its 30 year history as Congress has continually added new programs to the Agency's responsibilities. While each of these programs must be judged on its own merits, NAGGL believes the criticisms of the SBA loan guarantee program are uninformed, inaccurate and unjustified considering their importance as a source of long term capital for small business.

LACK OF AVAILABILITY OF TERM FINANCING

Mr. Stockman demonstrates his naivete and lack of understanding of the financial marketplace in his contention that federal loan guarantees are unnecessary, that private capital sources alone are sufficient for expansion financing for business. The Administration contends that the SBA credit programs duplicate assistance provided more effectively by the private sector. There is, in fact, a void in the financial marketplace. Without guarantees of the SBA, term capital is simply not available to many good quality, creditworthy small businesses.

First Capital CALBIDCO is a good example of the non-bank membership component of NAGGL and our portfolio of borrowers demonstrates the contribution lenders and the SBA are making to small businesses and the importance of the availability of long term loans to these small businesses.

First Capital is one of 10 BIDCO's in California. CALBIDCO's were created by the California State Legislature in the late 1970's to be licensed by the California Banking Department to enable them to participate in the SBA loan guarantee program. The only business of CALBIDCO'S is making long term loans using guarantees of the SBA. First Capital is privately capitalized and has 35 stockholders - primarily individuals.

First Capital has been operating for slightly more than two years. We have made 46 loans to start-up or expanding businesses in California totalling approximately $12,650,000 ($11,385,000 guaranteed by the SBA/$1,265,000 of our own capital at risk). We made 10 loans our first year, 30 our second year and by the end of calendar year 1985 we anticipate having a portfolio of in excess of 100 loans totalling almost $30,000,000 and having created about 1,000 new jobs. Through our loans the number of jobs produced by these companies has increased from 543 to 1090, an increase of 424 or 78%, which represents 1 new job per each $29,838 lent.

Our portfolio companies represent a variety of INDUSTRIES:

Service	46%	Wholesale	14%
Retail	14%	Manufacturing	27%

The companies have been at various STAGES OF DEVELOPMENT at the time of funding:

Start-up	35%
1 - 3 years	3%
4 - 6 years	16%
7 - 10 years	16%
more than 10 years	27%

The TERMS of our loans are all in excess of five years:

5 - 7 years	48%
8 - 14 years	19%
15 - 25 years	33%

Only one loan has been repurchased by the SBA. It was a $135,000 loan which represents a maximum loan loss of just in excess of 1% without taking into consideration any proceeds of foreclosure on the collateral.

We participate in the SBA's Certified Lender's Program (CLP). Under this program processing time for applications submitted to the SBA is significantly reduced for lenders who are experienced in the loan guarantee program. The purpose of the CLP is to put more burden on the experienced lender and reduce the SBA's administrative expense. Only one loan that we have submitted has been rejected by the SBA.

We sell all of our loans to secondary market investors. Because we are non-depository, we are totally dependent upon the maximum SBA guarantee and the secondary market. We must sell our loans in order to make additional loans.

By reducing the guarantee from the present 90% to 75%, as has been proposed by some, most non-bank lenders and many smaller banks would no longer be able to afford to participate in the program - considerably reducing the term capital available to deserving small businesses.

The simple but dynamic facts are that with $1 million of lender capital and a 90% SBA guarantee, $10,000,000 of loan funds are available. However, with that same $1 million and a 75% guarantee only $4,000,000 is available - a decrease of 60%!

Under such circumstances, entities such as First Capital CALBIDCO would cease to exist.

A representative borrower is a San Jose, California manufacturer of switching power supplies that are used in microcomputers and in communications equipment.

Having been in production for two years the company had reached $2 million in sales and had 70 full-time employees. By the end of 1983, however, the company had reached its limit in sales growth that could be financed on a short term basis with its bank. Long term capital was required to expand its facility and purchase additional production equipment.

The company's bank was willing to expand its short term line of credit but was not willing to provide any term debt. The company's principals had put all their capital into the company at the beginning and venture capitalists were not interested.

The company's bank referred them to First Capital. With the use of a 90% SBA guarantee, we were able to provide the company with an 8 year fully amortized loan of $350,000.

As a result of its expanded facilities and upgraded equipment, the company:

1. Increased its sales from $2 million to $3.2 million by the end of 1984;
2. Increased its employment from 70 to 90;
3. Increased its production efficiency through the new equipment, enabling increased profits; and
4. Is projecting a sales volume of $7 million in 1985 and anticipates hiring additional employees.

The point is that our emphasis is on good quality, expanding companies which do not have the perceived growth potential to attract venture capital, as they are companies who will probably never go public, but whose financing needs are of a longer term nature than can be obtained conventionally. Without the guarantees by the SBA, thousands of small businesses would go without the financing necessary to enable them to expand and therefore, create new jobs and generate more tax revenues to the federal government.

Letters to Senate Small Business Committee Chairman, Lowell Weicker (R-Ct.) from a number of small businesses supporting the SBA and the loan guarantee program are attached for the record.

In attempting to measure the impact of the SBA loan program upon small business it is important to point out that the major purpose of SBA guaranteed loans is to give small businesses access to long term financing. This subject was explored by the U.S. General Accounting Office (GAO) in its study of the 7(a) program dated April 1983.

> Small businesses require long term debt financing for a variety of reasons including plant expansion and acquisition and equipment purchases. However, they have had problems obtaining such financing as far back as 50 years ago and the problems that small businesses faced then are the same today.

The GAO report describes studies and hearings published between 1935 and 1982 by the U.S. Department of Commerce, the Federal Reserve Board, the Senate Banking Committee, the Committee for Economic Development, and the Federal Interagency Task Force on Small Business Finance, each of which came to the same conclusion: that a serious credit gap exists in which many small businesses are unable to meet their needs for long term credit.

It is the SBA loan programs that have made possible what long term financing does exist for small businesses. The GAO estimates that "approximately 30 to 40 percent of the dollar amount of banks' long term financing (6 or more years) to small businesses may carry an SBA guarantee."

LOSS RATE LESS THAN 5%

The Administration points to misleading statistics in its contention that loan default rates of the SBA loan guarantee program are unacceptably high. Many of the loans that go into "default" (delinquent for 60 days or more) and are purchased by the SBA from lenders can be turned around, made viable and are eventually paid off by the borrower. Other loans may end up being liquidated but the SBA collects all it can from the property pledged as collateral of the loan. SBA's actual loss rate (net losses divided by loan disbursements) on 7(a) guaranteed loans through the end of fiscal 1983 was 4.95%!

EMPHASIS ON BETTER QUALITY BORROWERS

Particularly under SBA Administrator James Sanders and under the close supervision of this Committee, "quality loans" have been the focus of both the SBA and lenders who participate in the guaranteed loan program. Both the SBA and lenders are looking for a combination of management capability, financial condition, cash flow and collateral of an applicant. As a result the default and delinquency rate of SBA loans made during the past 3 years continues to improve.

The Small Business Act requires that 7(a) loans must be "of such sound value or so secured as reasonably to assure repayment." A 7(a) loan, therefore, is for a business that can demonstrate its ability to service and repay the loan but is unable to obtain a loan conventionally that meets the term nature of its financing needs.

IMPACT ON DEFICIT AND INTEREST RATES

Because the federal budget deficit is a serious problem which must be addressed, the impact of the SBA's loan guarantee program on it and interest rates in general must be considered. The benefits derived from these programs need to be considered to determine whether the costs to support them are justified. In 1977, SBA conducted a study of its 7(a) loan guarantee program to determine its actual costs and benefits. The conclusions of that study, in summary, were that $1 billion of SBA guarantee loans have the potential to create and maintain 100,000 jobs in the private sector. As a result, the government would realize a significant return on its investment through increase in business and personal taxes as well as its savings on welfare compensation payments. In fact, it has been estimated that each dollar of SBA financing generates $7 of revenue to local and federal governments. In effect, the program returns money to the government after covering the cost of administration and loan losses. The conclusion to be drawn is that the public and private sectors can work constructively together to each other's benefit through creatively designed programs such as the SBA's loan guarantee program.

IMPACT ON CAPITAL MARKETS

Another often heard argument from Administration critics is that the program impacts the capital markets by causing an increase in interest rates thereby crowding out other small business borrowers. In considering this possibility, the April 1983 GAO study reported that 95% of the surveyed lenders said that the 7(a) program had little or no effect on credit extension to other small business borrowers. The study concluded that, "because the (SBA) Loan Guarantee Program is such a small part of overall federal and private sector credit assistance, its impact on interest rates and capital flows cannot be precisely isolated."

In other words, the extent to which federal borrowing to fund these programs impacts interest rates is so inconsequential that it cannot be measured.

As active commercial lenders, we are very aware of the productivity and job creation potential of small business. To eliminate the SBA and its business loan guarantee program would create a shortage of capital necessary to finance the growth of what is recognized as the most productive sector of our economy and would be counterproductive to achieving the economic goals of the Reagan Administration.

It is clear that the SBA's loan guarantee program does fill a void in the financial marketplace and properly administered results in a positive impact on the economy, generating revenue in excess of costs for the federal government. It is a perfect partnership of the private and the public sector working together to create jobs.

On behalf of lenders active in the loan guarantee program of the SBA throughout the country, the National Association of Government Guaranteed Lenders adamantly supports the retention of the Small Business Administration as an independent agency and its business loan guarantee program.

Thank you.

LETTER FROM FRANK G. ROBINSON

SOFTWARE GALERIA OF SAN JOSE

Honorable Lowell E. Weicker
Chairman, Senate Small Business Committee
Washington, DC

14 FEB 85

Dear Mr. Weicker,

I am in opposition to the elimination or curtailment of the Small Business Administration as has been proposed by President Reagan in his effort to reduce the Federal Budget deficit.

I own and have operated for approximately a year a retail microcomputer software store originally financed by the SBA. We are a service oriented software store that carries mainly business and educational software which we sell to corporations, independent businesses and individuals in the silicon valley of California. My business has grown from sales of $5000 to $100,000 per month within the first twelve months of operation.

The hard costs for starting a business of this kind is a minimum of $200,000. Not being independently wealthy nor in near term expectation of becomming heir to a large fortune, I sought long term financing of funds to establish my business. I prepared a comprehensive five year business plan which I presented to no fewer than 10 banks/loan institutions. The response was always "no" mainly for the following reasons:

- My industry was not understood or deemed too unstable
- I had a high debt to equity ratio
- I had no previous business experience

I was unable to obtain financing through traditional lending institutions because of the Federal lending regulations they are placed under in addition to the conservative orientation of most bank officials.

I subsequently obtained SBA guaranteed financing through the much appreciated efforts and confidence of First Capital Corporation of San Francisco. The funds provided to me through the SBA have had the following results:

- I am making a positive contribution to the economy of Silicon Valley.
- I am generating sales tax revenue
- I am employing four people productively in a necessary industry
- I am repaying my SBA loan

Without SBA financing, I do not feel I would have been allowed to develop or experience the success of my own personal business. I will support any efforts necessary to allow other qualified individuals to share in one of the fundamental dreams of our Democratic society.

Sincerely,

LETTER FROM TOM O'CONNOR, DM CUSTOM FURNITURE, INC., RICHMOND, CA

February 13, 1985

Honorable Lowell E. Weicker
Chairman, Small Business Committee
Washington, D.C.

Dear Senator Weicker:

I would like to take a moment of your time to express my dismay at the possible elimination of the SBA.

My company manufactures high quality wood office furniture. We are involved in all processes from rough lumber through the finishing process.

A few years ago, we had grown from a small custom shop to a medium-sized standard goods manufacturer. We suddenly found ourselves competing with much larger companies who have more sophisticated equipment, and, therefore, better pricing than ours. We needed to improve some of our equipment and working environment so we could produce a better product in less time.

We tried to get long-term financing from our bank. They did not offer this type of financing. Other lending institutions would not consider us because we had no track record with borrowing and repaying a large debt.

We were referred to First Capital by our bank, and, with the guarantee of the SBA, we were able to obtain our loan.

With this loan, we were able to greatly improve our finishing department by improving quality, increasing output, and improving the working environment. On the woodworking side of the plant, we acquired several pieces of timesaving equipment and a dust collection system.

At the sales end, some of the money was used toward a new catalog which will soon be out. With some of the temporary literature that is already out, we see this catalog improving our business greatly.

We are very grateful for the help of the SBA and feel that this loan was a big step in helping us to compete and continue to grow. I hope other companies will also get the same opportunity.

Please do not abolish the SBA.

Sincerely,
DM Custom Furniture, Inc.

Tom O'Connor

Tom O'Connor Vice President

LETTER FROM FRANK FOSTER, APPLIED LASER SYSTEMS

SANTA CLARA, CA

February 12, 1985

Honorable Lowell E. Weiker
Chairman, Senate Small Business Committee
Washington, DC

Dear Senator Weiker:

It is with great concern that we have learned of the proposal to eliminate the Small Business Administration as part of the effort to reduce the Federal Budget deficit.

For the past eight years, we have been in the business of providing laser machining and processing services to a large number of companies covering a broad spectrum of industries. Our equipment is very expensive, and we have had to use a number of piecemeal methods to acquire it - mostly through special assistance from the manufacturers who wanted to be able to show it off in our facility. These arrangements are now much more difficult to negotiate.

As our industry, which encompasses materials processing with laser equipment, has grown, we have had to pursue a more orderly growth which requires that we systematically pursue opportunities as they develop. This requires capital for the purchase of expensive laser systems as well as working capital.

We began our search for financing through conventional sources in May of 1984, and were unable to obtain long-term financing until First Capital assisted us in securing an SBA Guaranteed Loan in January of 1985. This loan has given us the working capital to significantly expand our sales and marketing as well as purchase the capital equipment required to manufacture those products which the expanded sales and marketing effort have produced.

Again, we would like to reiterate our support for the Small Business Administration and its Guaranteed Loan Program as well as the benefits which derive from a healthy and growing business such as new jobs, higher tax revenues, etc.

Sincerely yours,

Frank Foster

Frank Foster
President

LETTER FROM VERNE A. STARK, JR., OVERLAY, INC., SACRAMENTO, CA

February 15, 1985

Honorable Lowell E. Weicker
Chairman, Senate Small Business Committe
Washington D.C.

Dear Sir:

I am writing this letter in support of the Small Business Administration Guarantee Program.

Overlay, Incorporated has been in business for approximately one year, and manufactures hardwood plywood in the Sacramento area, employing 23 people.

Overlay was a start up business, and would not be existance without the benefit of S.B.A. programs.

Sincerely,

Verne A. Stark, Jr.
General Manager

LETTER FROM M. CATHERINE LYONS, CALIFORNIA CAPITAL, SAN FRANCISCO, CA

February 12, 1985

As a senior financial executive and the Head of Lending and Loan Service for the major operating subsidiary of a San Francisco headquartered private investment bank, I am writing you to speak out strongly and clearly against the proposal contained in the Administration's Fiscal Year 1986 Budget to eliminate the U.S. Small Business Administration ("SBA"). For 14 years, I have devoted my career to assiting hundreds of smaller businesses to realize the uniquely American dream of independence, entrepreneurship, economic growth, and community contribution. I urge you to review the accomplishments of the Agency and understand the importance of its functions.

The SBA is an independent U.S. Government agency created by Congress in 1953 to encourage, assist, and protect the interests of American small businesses. Since 1953, the SBA has been the only Nationwide source small-business owners and would be owners could rely on for financial, management and advocacy assistance. In its thirty year history, the SBA has undergone numerous changes, many of them philosophical as Presidential adminlstrations changed, but none as important or far-reaching as the changes of three years ago.

Under the direction of the SBA Administrator, James C. Sanders, and the U.S. Senate Committee on Small Business headed by Chairman Lowell Weicker, many positive developments have been made at the SBA.

Loan defaults are down over 50% from 1982. Quality loans are a rule, not the exception. A report from GAO estimates that nearly 40 percent of the nation's small business long-term business financing is backed by SBA loan guarantees, a clear indication that quality small firms continue to be locked out of the traditional long-term credit markets.

There has been an emphasis on the private banking sector to absorb more of the responsibility in the loan process under the Preferred Lender Program. There have been major improvements in the Secondary Market under the newly approved Secondary Market Improvement Act which will streamline the sales of the guaranteed portion of SBA loans, thus adding to the efficiency of the process and providing additional access to capital for small growing companies.

Clearly, small business needs a mechanism like the SBA guaranteed loan program to assure it access to bank borrowing.

Unfortunately, small business' special problems and needs are ignored by the Administration as it seeks to justify the abolition of the SBA and its guaranteed loan programs. The main failing of the budget elimination proposal is that it ignores reality.

The reality for small business today is that it has been crowded out of the short-term bank borrowing market, the primary source of its financing.

The reality is that more capital must be made available for small business if we are to create needed new jobs and continue to reinvigorate our economy.

The reality is that there is a need for a flexible SBA guaranteed business loan program that is attuned to small business needs and borrowing patterns-a program that helps healthy small businesses weather recession and helps small businesses start up and expand during recovery.

The reality is that SBA guaranteed loans are made with private money, not taxpayers' money; that lending decisions under the SBA guaranteed loan program are made by the marketplace and the local lender; that the SBA loan guarantee reduces the element of risk and provides an incentive for the bank to lend to small businesses and help their communities; that the SBA guaranteed loan program has provided an essential safety net for small business-a net that is being shredded by the current budget proposal to eliminate the SBA.

The reality is that the SBA guaranteed loan program makes money for the federal government. The Japanese Government has four agencies that can lend, directly or indirectly, up to $20 billion to small businesses in that country. That demonstrates the importance the Japanese, our major economic competitor at home and abroad, place on maintaining a vigorous small business sector. This is just the type of support we should be providing to our battered small business sector. We can only have a strong, continuing, broad-based recovery if we have healthy and dynamic small businesses.

In summary, the realtiy is the SBA provides essential services to a vital sector of our economy and must be maintained.

I urge you to look closely at these realities and to make a statement of strong support for the American small business community by endorsing the preservation of the SBA and by supporting those SBA programs which most assist the continuing growth and development of small businesses.

Sincerely,

M. Catherine Lyons
Executive Vice President

LETTER FROM JOHN J. MEILERT AND MARGARET J. COPERNOLL, TARS INC., ARLINGTON, VA

The Honorable Lowell Weicker
U.S. Senate
Washington, D.C.

February 21, 1985

Dear Senator Weicker:

We have heard that the Administration has proposed that the SBA be eliminated. This concerns us as we would not have been able to establish our business had it not been for the SBA guaranteed loan which gave us our start. We know there must be many like us, and will be in the future if the SBA is not eliminated.

We are the Popeyes Famous Fried Chicken franchisees for Alexandria and part of Fairfax County. Our business was established in April of 1983 with an SBA guaranteed loan for $550,000.00. The business has done well and we have been able to provide benefits to the community, e.g., we have approximately 65 employees on our payroll, with an average monthly payroll of $35,000.00. We pay an average of $10,000.00 per month in payroll taxes (FICA and federal witholding) and $6,000.00 in state and local sales taxes.

Although we repaid our SBA loan in December of 1984, which enabled others to borrow the same money, we will never forget the SBA assistance we received which made it possible for us to be our own boss. Although we had mortgaged everything we owned to obtain seed money to get our business started, we could not, even with the considerable help of family and friends, have raised the $550,000.00 by ourselves.

Incidentally, our first restaurant's profits have enabled us to establish a second restaurant in Old Town Alexandria, and we have plans for a third and fourth restaurant on the drawing board. Thus, in just another year we will have over 200 employees in four restarants - - all of which was made possible by the original SBA loan.

The longer (20 year) term of the SBA loans is very important to an individual just starting out, because of the lower monthly payment and the uncertainty as to how the business will do.

We hope that you and your colleagues will take into account, when you consider abolishing the SBA, that local banks simply will not help an individual get started in a business unless the individual has significant assets. Most businessmen and women starting out simply do not have sufficient assets in the eyes of the local banks.

Thank you for your consideration.

Sincerely yours,

John J. Meilert

Margaret J. Coppernoll

LETTER FROM ANTHONY G. WALKER, ARROW COMPUTER SUPPLY, INC.

NOVATO, CA

15 February 1985

Honorable Lowell E. Weicker
Chairman, Senate Small Business Committee
Washington, DC

Dear Mr. Weicker:

I recently formed a small business--Arrow Computer Supply, Inc.--with the assistance of an SBA guaranteed loan. The business involves the distribution of computer supplies to commercial accounts in Northern California.

I originally sought long-term financing through traditional banking channels but was dismayed to find that even with excellent collateral property my loan request was denied. Numerous banks perceived my acquisition of assets and a customer base from an existing business to be too risky for them. Finally, I discovered First Capital California Business and Industrial Development Corporation who was instrumental in securing an SBA guaranteed loan for me.

The loan has enabled me to adequately fund my new company and in our first year of operation, sales have exceeded $750,000. The Company now employs six (6) individuals and yielded a taxable profit for the year ended 1984.

Needless to say, I am excited about the future propects of my business. None of this would have been possible without the SBA guaranteed loan.

I firmly believe that small businesses contribute greatly to the American economy and that the SBA guarantee loan program should be continued.

Very truly yours,

Anthony G. Walker
President

LETTER FROM BARRY T. SINGER, SINGER PRINTING CO.

PETALUMA, CA

February 15, 1985

Honorable Lowell E. Weicker
Chairman, Senate Small Business Committee
Washington, DC

Dear Chairman Weicker;

We are a small printing firm in Sonoma County, California. Before receiving our Small Business Administration loan, the hope of ever growing and purchasing modern equipment was nil.

Although we made a sizable profit in the first three years since beginning in 1981, local banks and leasing companies turned down our requests for money time after time. They were very aplolgetic, even complimentary as to the future potential and quality of our product. However, they did not want to be the first to take the risk. My feeling was that if I already had the money, they would lend me the money. One conventional lender even advised me to come back to him in two years and he'd then give me all the money I could need. But how was I to get to that point two years down the road.

This is where the SBA plays a crucial role in the development of the American Dream. I started my company out of a garage in 1977, moved to Sonoma County in 1981 and the SBA loan I recently received will generate sales for 1985 of one half a million dollars. I have been able to purchase a 2 color Heidelberg Press, camera equipment, a darkroom and cutter. The new equipment has allowed me to be more competitive in my pricing and has greatly improved the quality of our printed product.

In just three short months, our business is beginning to double and we have needed to hire two more people to help with our work load. And this is just the beginning!!

Who do I have to thank for this? The banks, the leasing companies? No! It is First Capital Corporation, a guaranteed SBA lender, and the SBA for their confidence and assistance. I am endebted to both of them - they have made the crucial difference.

Please do whatever is in your power to continue to help young entrepreneurs in the future!!

Sincerely,

Barry T. Singer

LETTER FROM DONALD LEE, TOOLS-R-US, CUPERTINO, CA

Febuary 18, 1985

Honorable Lowell E. Weiker
Chairman, Senate Small Business Committee
Washington, DC

Dear Mr. Weicker:

Tools-R-Us began in 1980 with a Small Business Administration guaranteed loan. Our first year as a retailer of tools grossed $60,000. We certainly could never have begun our business without the SBA.

In 1982 First Capital Corporation helped us arrange a second SBA guaranteed loan. Sales in 1984 were over $2,700,000. We employ over twenty people.

No bank has been willing to help make our concept become a reality. Someday we hope to be a nationwide organization. Only with the help of the Small Business Administration could we even dream of this goal.

Sincerely,

Donald G Lee

Donald Lee

LETTER FROM J.G. HARTWELL, OLD DOMINION SYSTEMS, INC.

GAITHERSBURG, MD

February 20, 1985

Senator Lowell P. Weicker, Jr.
Senate Committee on Small Business
% Mr. Bailey Bannard
% Dickstein, Shapiro & Morin
2101 L Street, N.W.
Washington, D.C. 20037

Dear Senator Weicker:

I am writing to you at this time to express my concern with respect to the possible dissolution of the United States Small Business Administration. It is doubtful that our company would be in business today without the support we had received from SBA during our early formative years. During the approximate time frame from 1971 to 1976, Old Dominion Systems, Incorporated, was able to obtain bank financing from the Northern Virginia Bank by borrowing against U. S. Government receivables. Ninety percent (90%) of the loans we received, collateralized by our receivables, were guaranteed by SBA.

Our latest fiscal year, which ended on October 31, 1984, shows that we had revenues of about $13,600,000 on which federal and state taxes in excess of $400,000 were paid. At the present time we have some 200 employees residing in the District of Columbia and the surrounding counties in Virginia and Maryland.

I urge you to allow this agency to survive and continue its good work.

Very truly yours,

OLD DOMINION SYSTEMS, INC.

J. G. Hartwell
President

LETTER FROM THOMAS A. ALSTON, ALSTON INDUSTRIES INC.

SACRAMENTO, CA

TO WHOM IT MAY CONCERN, February 15, 1985

ALSTON INDUSTRIES, INC. is a small manufacturer in an extremely vertical market. Because of the nature of the automotive aftermarket, tremendous amounts of capital must be spent both on advertising and promotion (in excess of 14%) continually. In addition over 5% must be continually plunged into ongoing R & D. ALSTON INDUSTRIES, INC. has a commitment to remain on the leading edge of technology in the field of race car development and it is at best a very expensive propositon.

ALSTON INDUSTRIES, INC. has been in business for over eight years and we currently employ 30 people. Our current yearly sales are in excess of two million dollars and with the release of our new disc brake technology the volume should double within a short time.

The new brake technology we have developed and have in the PATENT PROCESS will allow the traditional OE manufacturers to build brakes calipers that will save over 25% of the weight over the current calipers in use. This will translate into greater fuel efficiencies.

Without the assistance of the SBA loan funds it would be virtually impossible to bring about the technological advances fast enough (if at all) to be of any significant use to the AMERICAN CONSUMER.

It is with this concern in regards to the SBA program that I am communicating our feelings in regards to the proposed elimination of the SBA.

Regards,

Thomas A. Alston
PRESIDENT
ALSTON INDUSTRIES, INC.

LETTER FROM RICHARD J. ROSICA, COMPUTER DESIGN SERVICES INC., FAIRFAX, VA

February 21, 1985

Senator Lowell P. Weicher, Jr.
Senate Committee on SBA
Washington, D.C.

Dear Sir;

I am writing this letter in order to offer my opinion on the benefits of the SBA. We have been in business for four years, with my partner and I providing capitalization coming from personal loans. Our initial capital equipment purchase was financed by the manufacturer at 24% interest rate. Two more purchases of capital equipment were also financed by the manufacturer at 24%. The amount of these loans was approximately $170,000.

After two years of operation, we approached several banks in order to acquire refinancing to reduce our interest payment burden. For the most part they were unreceptive, although our records showed an excellent credit record, sales growth, and backlog. Finally, a small bank in Fairfax agreed to back us with SBA approval. We were approved and received a loan for $160,000. This loan reduced our monthly outlay of cash from $4,800 to $2,800 and gave us much-needed room to expand in a growing marketplace.

We have recently purchased an additional computer system, and have further expanded our services which opened new customer fields.
I would hesitate to say that we would not be in business without SBA backing. However, the $2,000/ month that the first loan allowed us, did place us in a position to expand into the new area and hire new people to help staff the operation.

Sincerely,

Richard J Rosica

Richard J. Rosica
President

LETTER FROM W M. HARRISON, JR.
ESTATE BOTTLING, PLEASANTON, CA

February 13, 1985

Honorable Lowell E. Weicker
Chairman, Senate Small Business Committee
Washington, D.C.

Dear Sir:

I am writing this letter to express my deep concern over the proposal to eliminate the Small Business Administration.

A little over two years ago I started a portable wine bottling business with the help of a SBA Guaranteed Loan. By installing a bottling line in a modified 45' semi-trailer, and traveling from winery to winery, we are able to offer a complete bottling service to small wineries throughout the West, Southwest, and into Texas. We set up at a winery, filter their wine, bottle it, cork it, capsule it, label it, and case it for shipment to wine shops and restaurants throughout the United States.

We enable the small wineries to bottle their wines with sophisticated, state-of-the-art equipment and compete with the big wineries and the French, Italian, and German imports.

Our small wineries are faced with particularily difficult times. With the dollar strong overseas, imported wines become cheap and are flooding our country. Our small wineries can't export due to the unchallenged trade barriers erected by those countries dumping their wines here.

My company helps our wineries survive. There is no question but that they are putting our depressed rural lands to their highest and best use and are employing many who might otherwise not have jobs in these remote areas. I am proud to have a small part in preserving this and our agrarian way of life. It has taken a lot of my hard work, a foresighted and supportive lender, and a SBA Guaranteed Loan.

I am 44 and have been in the wine business all my life. I saw the need for this type of service after my family's own winery, founded by an Italian immigrant, went out of business when the prime rate went over 20%. After researching the concept of portable bottling and developing a comprehensive business plan, I was unable to borrow the capital necessary to start this business after making sound, professional presentations to over 40 banks, leasing companies, and venture capital firms. I finally secured financing through First Capital California Business and Industrial Development Corporation with a SBA Guaranteed Loan.

Because of this, I am employing people, paying taxes, collecting taxes for the Government, and contributing to the productivity, employment, wonderful wines, and way of life our great industry offers.

I hope your committee will overwhelmingly recommend continuance of the SBA and the fine services it offers to all, particularily those who have had fewer advantages in terms of practical experience and education than I.

Very truly yours,

W. M. Harrison, Jr.
Owner/Operator

PREPARED STATEMENT OF DR. M. RUPERT CUTLER
EXECUTIVE DIRECTOR
THE ENVIRONMENTAL FUND

THE ENVIRONMENTAL FUND (TEF)

Mr. Chairman and members of the Committee, I am M. Rupert Cutler, Executive Director of The Environmental Fund (TEF) of Washington, D.C. TEF is a private, membership-supported educational association which exists to make people aware of the fact that continued population growth will make our economic and environmental problems more difficult to solve than if our Nation had a stationary population. This conclusion was reached in 1972 by the President's Commission on Population Growth and the American Future, which was chaired by John D. Rockefeller III. The Environmental Fund was formed to broadcast its findings.

INS FUNDING

The Environmental Fund (TEF) strongly urges Congressional approval of the Adminstration's $577.5 million Fiscal Year 1986 budget request for the Immigration and Naturalization Service (INS). This budget represents only a token increase over the 1985 appropriation of $576 million, however in this time of severe budget deficits it should be noted that the INS budget has come a long way from the 1984 appropriation of $501 million.

Nevertheless, if after reviewing all the testimony, this committee chooses to increase the Adminstration's budget request for the INS, The Environmental Fund would support such an increase. One area of concern already expressed this morning was the Administration's proposed $5 million reduction for the Inspection Program at U.S. ports of entry. Such a reduction might prove to be penny wise and pound foolish, so I would urge the Committee to review this matter closely.

I wish to commend the efforts of this Committee in recent years to increase the INS budget. Last year this panel approved funds for 850 new Border Patrol positions, 108 new positions in Detention and Deportation, and 19 new positions in Anti-

Smuggling. Illegal immigration continues to rise and there is broad public support for continued expansion of INS enforcement activities. According to a Roper Poll, 91 percent of the American people want illegal immigration stopped immediately. Moreover, Mr. Chairman, based on my experience with the immigration issue, certainly one of the most controversial topics on Capitol Hill, there is a surprisingly wide degree of support from all the key players in this debate for increased funding of the Immigration and Naturalization Service.

IMMIGRATION AND U.S. POPULATION GROWTH

The Environmental Fund supports maximum INS funding because uncontrolled immigration is having an enormous impact on the population growth rate of the United States, leading to local environmental and social stresses caused by overpopulation.

Natural increase, or births minus deaths, added 1.6 million people to the U.S. population last year. If this were our only source of population growth, the U.S. would be growing at 0.7 percent annually, with a projected doubling time of 100 years. But we must add 600,000 legal immigrants and refugees and one million or more illegal immigrants from 92 foreign nations that enter the U.S. each year to complete the picture. When we do, we find that the U.S. population actually is growing at 1.4 percent annually. At this rate the U.S. population, now 237 million, will double in just 50 years. Illegal immigration alone makes up a third of the population growth of this nation and makes the U.S. the fastest-growing industrialized in the world.

1984 was yet another record-breaking year at INS as an unprecedented 1,138,566 illegal aliens were apprehended. This year the agency anticipates apprehending 1,320,000. Between 1963 and 1983 apprehensions of illegal aliens increased almost 3000 percent.

THE PUSH AND PULL FACTORS

The tremendous pressures abroad which encourage illegal immigration to the United States--the so-called "push" factors--

show no sign of abating in the near future. Problems of widespread unemployment, poverty, political instability and pollution, which in large measure stem from serious over-population throughout the developing world, continue to worsen. The population of the less developed countries (LDC's) is expected to jump from 2.6 billion today to 3.6 billion by the year 2000. The demand for new jobs in the LDC's will be staggering, if it is not already. Between 1980 and 2000 the number of new job seekers in the LDC's will total some 800 million. That is more jobs than currently exist in all the world's developed countries combined. New job seekers does not include the many millions who are already underemployed or unemployed. When the grim reality of these "push" factors is coupled with the "pull" factor--the likelyhood of finding employment in the U.S. because employers are not now prohibited from hiring illegal aliens--the stage is indeed set for massive illegal immigration to the U.S.

The classic case study of push-pull phenomena is. of course, Mexico. The U.S. is the only major industrialized country to share a border with a developing country and that border runs nearly 2000 miles. Mexico, while better off than most other developing nations, still faces serious domestic problems that virtually guarantee increasing pressure to enter the U.S. illegally. Most of Mexico's problems, whether it be unemployment, inflation, hunger, poverty, or air and water pollution are rooted in the spiral of rapid population growth. In 1960 Mexico had 36 million people. Today Mexico numbers 80 million and is expected to grow to 113 million by the year 2000 and to 150 million by the year 2020. Mexico City will be the most populated city in the world, over 30 million people, by the year 2000.

EMPLOYER SANCTIONS ARE IMPERATIVE

Next to providing the INS with adequate financial resources and manpower, the most important step this Congress can take with respect to illegal immigration is to adopt a strict ban on the hiring of illegal aliens (employer sanctions). If the U.S. is to truly regain control of its borders, enhanced enforcement activities must be complemented by enactment of employer sanctions.

In the absence of employer sanctions and adequate funding for enforcement programs, including border enforcement, inspections, interior enforcement, alien smuggling, detention and deportation, and data processing, the U.S. population will continue its rapid growth with deleterious consequences for the economy and the environment.

POPULATION GROWTH IMPACTS THE ECONOMY AND ENVIRONMENT

The U.S. population stands today at 237 million. If illegal immigration is stopped and the domestic fertility rate remains low, we project that the U.S. population would grow to 261 million by the year 2000. If illegal immigration remains uncontrolled, and fertility rates rise slightly, the U.S. population could reach between 281 million and 305 million by the year 2000. These figures come from our recent report--U.S. Population Projections for 1980 to 2030--which examines a range of U.S. population scenarios and is attached herewith for the Committee's perusal. The difference of 45 million people in the above projections is equivalent to the present day populations of California and Texas.

The addition of 45 million people to the U.S. population in such a short period of time would undoubtedly lead to economic misery for many, particularly among least-advantaged citizens, in addition to severe environmental stress for all. The President's Commission on Population Growth and the American Future, which I alluded to earlier, concluded in 1972 that "no substantial benefits will result from further growth of the Nation's population , rather that the gradual stabilization of our population would contribute significantly to the Nation's ability to solve its problems. "We have looked for, and have not found, any convincing economic argument for continued population growth. "The health of our country does not depend on it, nor does the vitality of business nor the welfare of the average person."

Rapid U.S. population growth will also slow our efforts to deal with already serious environmental problems in the U.S. Air pollution including acid rain, shortages of clean water, toxic chemical accumulation, soil erosion and siltation, loss of prime farmland near cities, and endangerment of plant and animal species are among the numerous environmental problems The Environmental Fund associates with continued rapid population growth in the United States.

INS FUNDING AND BUDGET SAVINGS

At a time when $200 billion annual budget deficits loom large for as far as the eye can see, careful scrutiny of all government programs is obviously required. In my view there is a sound rationale for providing the INS with the maximum level of funding for enforcment activities: Most illegal immigrants come to the U.S. in search of work, and do indeed find employment, often displacing legal resident workers. This is called the "displacement factor" and there is a growing body of empirical research to support this argument.

Most experts peg the annual flow of illegal immigrants to the United States at 500,000 to 1 million. Some, like myself, would say that it is even higher, but let us assume the midpoint estimate of 750,000. Mindful that most illegal aliens come to the U.S. to work, let us assume further and rather conservatively that 25 percent of the 750,000 illegal entrants actually displace legal residents in the work force. This means that in just the current year, 187,500 Americans will lose their jobs because of illegal immigration. When factored with the 1979 Congressional Budget Office (CBO) estimate of $7,000 in annual transfer payments per unemployed worker, it becomes apparent that this loss of American jobs costs the U.S. Treasury $1.3 billion for one year. This large outlay, again based on conservative estimates for job displacement, is more than twice the INS budget request for FY86.

Illegal immigration has gone on for many years, however, and the number of illegal immigrants now in the U.S. may be as high as 6 million to 12 million. If we assume again that just 25 percent of the six to twelve million illegal aliens take jobs from legal residents, the result is unemployment for 1.6 to 3 million Americans. That corresponds to $11.2 to $21 billion in yearly transfer payments for legal workers displaced by illegal workers. I use this example, Mr. Chairman, to demonstrate what occurs over time in the absence of both employer sanctions and adequate INS enforcement funding. The numbers speak for themselves.

CONCLUSION

In conclusion, I wish to emphasize that control illegal immigration is in the national interest, both because significant budget savings will accrue from reduced job displacement and because continued U.S. population is sure to have an adverse effect on the quality of life for all Americans, as more people demand their share of a fixed supply of natural resources and environmental amenities. It is in this light that I hope you will measure the importance of maximum funding for Immigration and Naturalization Service enforcement activities in FY86.

Thank you.

TEFdata:

Number 18

March, 1985

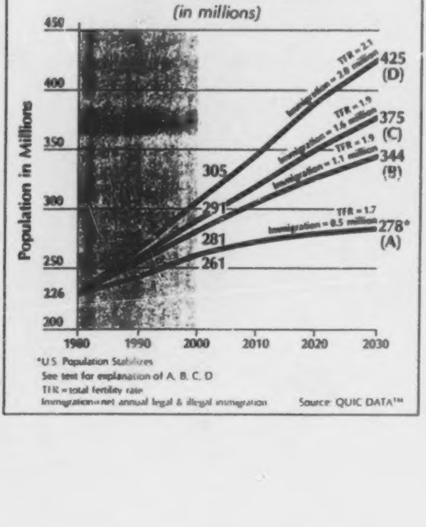
TEF's U.S. Population Projections for 1980-2030

In 1972, the Rockefeller Commission on Population and the American Future declared that "no substantial benefits would result from continued growth of the nation's population." Despite this warning, the United States has become the fastest growing industrialized nation in the world with little chance of reaching population stability without a concerted effort. There have been enough examples from other countries in the news recently to make us consider what effects an increase of a possible 68 million people in the next 15 years may have on the United States.

The figure below illustrates four different scenarios that—depending on which one we as a society choose to follow—will largely determine our futures. Each line of the figure has two variables that change: total fertility rate and annual net immigration. Changes in these two variables account for most of the changes in our population growth. Note that only the scenario for Line A will bring us to a stationary population by the year 2030, and *none* will bring us to stability sooner.

U.S. Population Projections from 1980-2030

(in millions)



*U.S. Population Stabilizes
See text for explanation of A, B, C, D
TFR = total fertility rate
Immigration = net annual legal & illegal immigration

Source: QUIC DATA™

Line A is the most optimistic scenario because it will yield the least population growth. Today, our total fertility rate is approximately 1.9. That means that each childbearing woman in the U.S. is having an average of 1.9 children in her lifetime. Line A suggests the possibility of reducing that average figure to 1.7 children per woman.

Line A also suggests that we have only 500,000 total immigrants each year. Our rate today is much higher, but if adequate immigration reform legislation is passed we might achieve the 500,000 figure. As can be seen, even with this lean, "best case" scenario, the population of our country will grow from 226 million in 1980 to 261 million by the year 2000 and 278 million by 2030, at which point population growth would stabilize.

Lines B and C represent a range between which our present growth lies. Currently, our total fertility rate is close to 1.9 and our level of annual net immigration is probably running between 1.1 million people a year to 1.6 million. (The uncertainty of the immigration estimate occurs because there is no accurate count of the *illegal* immigrants that are entering the U.S. in ever-increasing numbers.) At our present rate of growth, we would have between 281 and 291 million people in the U.S. by the year 2000, and between 344 and 375 million in less than 50 years. That means, at our present level of growth, we may add the equivalent of five Californias in most people's lifetimes. The possibility of population stabilization with these scenarios does not occur even by 2080, which is as far in the future as we have made projections.

Line D, the final projection, varies the numbers again to present another scenario that is entirely possible, given present conditions in the world and in our country. If the baby boomlet continues and expands, our fertility level may rise to 2.1, which is basically replacement level but on a base of the current large number of women of childbearing age. In addition, if the surge in illegal immigration

U.S. Population Projections (in millions), 1990-2030

Total Fertility Rate	1990	2000	2010	2020	2030
Annual Net Immigration = 0 million					
1.7	243	252	255	255*	248
1.9	246	259	268	274	276*
2.1	249	265	277	289	296
Annual Net Immigration = 0.5 million					
1.7	247	261	271	277	278*
1.9	250	269	284	298	307
2.1	253	275	294	313	328
Annual Net Immigration = 1.1 million					
1.7	252	273	290	304	313
1.9	254	281	304	326	344
2.1	258	287	314	342	367
Annual Net Immigration = 1.6 million					
1.7	255	283	307	327	342
1.9	258	291	320	350	375
2.1	262	297	331	367	399
Annual Net Immigration = 2.0 million					
1.7	259	291	319	345	366
1.9	261	299	334	369	[illegible]
2.1	265	305	345	386	425

Source: The Environmental Fund. QUIC DATA II (resident population) projections as of 25 April 84.

*U.S. Population Stabilizes

continues unchecked by any kind of enforceable immigration controls and employer fines for hiring illegal workers, we may very well see our net immigration level reach 2 million a year. There is anecdotal evidence from field staff of the U.S. Border Patrol and the Immigration and Naturalization Service that we may be at that high level already.

This final scenario would yield an increase in U.S. population of almost 80 million people between 1980 and 2000. That is the equivalent of more than three present-day Californias—our most populous state—in just 20 years. And then, looking to the future, we would grow to 425 million by 2030, almost 200 million more people than we had in 1980. The population of our whole country in 1969 was 200 million, and now we are facing the possibility of seeing twice that many people living in the same amount of space with the same or a depleted natural resource base within our lifetimes.

The implications of this incredible rate of growth have not been recognized by many otherwise clear-thinking people in this country. But, in fact, a rapidly growing population will radically change "the Americn way of life." Crowding will increase, standing in lines and making reservations long in advance for limited numbers of outdoor recreation areas will become common, ecological diversity will be lost, taxes and insurance premiums will climb, prime farmland will continue to be lost to urban sprawl, and water will become a fighting issue in some parts of the country. All of these problems and more will be associated with continued U.S. population growth.

Fortunately, we do not have to sit back and accept as fact that our children will be faced with the crises that such population growth will bring. If we act responsibly now by limiting our fertility to the 1.7 that is postulated in the low scenario...and even more importantly, if we take as a serious obligation the enforcement of sound, new immigration laws that will eliminate illegal immigration and keep legal immigration to a level consistent with the supplies of natural resources that constitute our country's human "life support system"... then the future we bequeath to our children and theirs may indeed be bright.

Judith Hinds (demographic
assistance by Lisa C. Olson)

The Environmental Fund believes that every major problem facing the United States as a nation and humanity as a whole becomes more difficult to solve as population increases.

PREPARED STATEMENT OF DAN STEIN

STAFF COUNSEL

FEDERATION FOR AMERICAN IMMIGRATION REFORM

Mr. Chairman, members of the Subcommittee, thank you for the opportunity to testify in support of the Fiscal Year 1986 budget request for the Immigration and Naturalization Service (INS).

My name is Dan Stein. I am Staff Counsel for FAIR, the Federation for American Immigration Reform. FAIR is a national non-profit membership organization working to educate the American people about the need to reform U.S. immigration policy to reflect the realities of the 1980's.

We believe illegal immigration is contrary to the best interests of the United States, and that it exacerbates many of the problems currently facing this nation. These problems include unemployment, inflation, and mounting budget deficits.

FAIR supports the Administration's request for a budget of $577.5 million and urges this committee to recommend that Congress increase the funding level requested by $33 million. The INS has long been one of the most underfunded and understaffed of the federal agencies. Even with recent increases in appropriations, INS has only begun to address the very serious disrepair into which it has been allowed to lapse.

I believe Congress does not fully recognize the awesome responsibilities bestowed on the INS. With a staff smaller than that of the New York City or Chicago Police Departments, the Immigration and Naturalization Service must patrol over 2,000 miles of land border with Mexico, over 3,750 miles of land border with Canada, admit or deny 250 million persons crossing our border every year, apprehend illegal aliens living and working in the United States, keep naturalization records and records on Permanent Resident Aliens, extend visas held by foreign visitors, develop secure documents for alien identification, and investigate thousands of violations of the Immigration and Nationality Act. With only about 500 Border Patrol agents on duty at any time to guard the entire U.S.-Mexican border, these officers apprehend over 3,000 illegal aliens a day sneaking into the U.S.

Last year, the Immigration and Naturalization Service apprehended a record-breaking 1,138,566 aliens. And though no one knows for sure, immigration scholars estimate that at least 6 to 8 million illegal aliens have already settled in the U.S. Despite their tax contribution, government studies indicate this sizeable population is costing American taxpayers at least 7.56 to 10 billion dollars a year.

If the 1.2 million illegal aliens apprehended by the INS last year had actually entered this country, the net cost to U.S. taxpayers of the additional residents would have been $1.51 billion--almost twice the budget requested for INS.

Now consider this: INS officials estimate that for every illegal alien apprehended by the U.S. Border Patrol, at least two others successfully slip in undetected. Clearly, when one considers the alternatives, controlling illegal immigration is well worth the cost.

It is important for this Committee to realize that, although INS has had recent budget increases, it was severely underfunded for over 15 years. Even with increases, funding of the last few years has failed to keep pace with the growing masses of humanity seeking to enter the United States. Consider these facts:

- Between 1970 and 1982 legal immigration to the United States increased by 63 percent.
- Between 1975 and 1982, refugee admissions averaged over 100,000--ten times the 1970 rate.
- Between 1970 and 1982, foreign visitors to the U.S. (non-immigrants in INS terminology) increased by more than 157 percent.
- Between 1970 and 1983, the number of deportable aliens apprehended by the INS increased by 253 percent.

While the INS workload doubled and then tripled between 1970 and 1982, INS personnel during this period increased by only 51 percent. The result: the immigration service has been unable to inspect persons coming into the United States adequately or to patrol the 5,750 miles of land border we share with Mexico and Canada. The workload would be comical if it weren't so frightening. Consider this: day in and day out, week after week, the average INS inspector "interviews" 100 applicants an hour for admission. Under rush-hour conditions at busy ports of entry such as San Diego and El Paso, individual inspectors are forced to screen hundreds of applicants an hour (in other words, they just stand aside and wave them through). And yet, the administration's budget request envisions decreasing the Inspection Program by $5 million. This decrease in funding appears even more imprudent when one realizes that it will actually cost the federal government hundreds of millions of dollars in avoidable payments of entitlement benefits to illegal aliens.

The 1984 Fraud Intercept Task Force Report found that "an increase of 2.5 seconds on primary inspection and a 3.5 minutes on secondary inspection resulted in a fraud detection rate increase of 32% and a malafide detection rate increase of 41%, when compared to baseline data. Applying the average of these percentages to actual 1983 figures, these results represent a total theoretical increase of more than 190,000 such cases. In turn, entry prevention for this number of fraud/malafide applicants would represent a monetary savings to the government of more than $95 million." (Emphasis added)

The Task Force Report concluded that "a vast number of persons who now succeed in entering the U.S. with fraudulent schemes or malafide intent would be prevented with only modest increases in the number of Immigration inspectors." In light of this data, FAIR recommends that this Committee vote to increase the INS inspections program by $5 million rather than accept the $5 million decrease proposed by the administration. By investing $5 million in this program you could possibly net the government $90 million in savings while providing INS with a valuable tool for controlling our nation's borders.

Another means of attaining net savings of federal funds would be to increase funding for the Border Patrol. The Border Patrol, which has recently added 370 of the 850 new agents authorized last year, is doing an excellent job--considering present conditions--and is to be commended for its work. Last year, a record-breaking 1,138,566 illegal aliens were apprehended at our borders; 93% of these apprehensions being made at our southern border. Not only do these border patrolmen perform a vital service by securing our borders against an influx of illegal aliens, they also play a key role in decreasing the flow of illicit drugs into our country.

During testimony before the Senate Subcommittee on Immigration and Refugee Policy earlier this year, Commissioner Alan Nelson of the INS testified: "Of the $55.6 million in narcotic seizures made at the border in 1984, the Border

Patrol alone seized $37.5 million. Joint seizures by INS and Customs officers amounted to $9.8 million."

These figures indicate that an open border for illegal aliens is an open border for drugs. Newsweek magazine, in its February 25, 1985 edition, stated that: "As much as one-third of cocaine bound for the United States now comes through Mexico, and the Texas, Arizona and California borders are proving as porous to the flow of drugs as they are to the flow of illegal immigrants." Therefore, there is a double incentive for securing our borders as quickly as possible.

By increasing funding for our border patrol, FAIR believes that Congress would greatly add to our arsenal against drug trafficking; despite the fact that the Border Patrol questions about 10 million persons a year, reports indicate that 10-15% of an agent's time is spent on administrative paperwork and another 20-25% is spent on processing violations. Therefore, we recommend an increase in funding of $13 million.

The final area I will address where an increased investment in INS capabilities will net the government significant savings is in INS computer systems development. INS data processing functions must be brought into the 20th century. No other federal agency is asked to do so much with so little.

Recent budget increases have allowed INS to develop the Anti-smuggling Information System - still in the pilot stages, and to award an ADP contract for development of several other systems, including the Nonimmigrant Information System (NIIS), the Central Index System, the Alien Verification Index, the Casework Support System, and the Service Lookout System, to name but a few. If adequate funding is maintained in this area, the new ADP capabilities should certainly go a long way toward improving the capacity of the Service to identify and track aliens.

A good example of the savings one can expect by maintaining adequate funding levels of these systems is the SAVE program (Systematic Alien Verification for Entitlement). The SAVE program was designed to forestall the fraudulent receipt of entitlement benefits by illegal aliens. Although only in Phase I of three phases, this program saved the government $114 million in FY '84. The INS projects that if the program becomes fully operational, and is employed by all states, it will save U.S. taxpayers $10.7 billion in federal funds. This potential savings is dramatic under any economic circumstances, but given our astronomical deficit, the savings provided through INS programs such as SAVE become essential to the stability of our economy. FAIR recommends that Congress appropriate an additional $15 million to fund a demonstration study of ADP systems on the feasibility of a telephonic verification system for employer eligibility; or, in the alternative, to expand data processing capabilities for SAVE (i.e., purchase terminals for use by state agencies), the NIIS and to broaden the Anti-smuggling Information System.

At this time, I would like to commend Commissioner Nelson and the administration for the outstanding job they have been doing in their first several years handling the Immigration and Naturalization Service. At the time they took command of the agency, it was little more than a marginally functioning shell, a product of nearly ten years of neglect and, in some cases, affirmative mismanagement.

As stated above, substantial improvements are in the works, improvements wholeheartedly supported and applauded by FAIR. Many of the changes represent the first substantial increase in INS resources in twenty years, and have given a noticeable boost to agency morale. Nevertheless, these new projects and priorities are not enough.

FAIR has studied agency problems for six years. We are concerned that while these initial steps are important and useful, they are by no means adequate. I have suggested increases for specific program areas of the INS. However, FAIR believes we cannot be selective in adding funding for only a few programs of the Service. Otherwise, funding increases made to date will only prove cosmetic. Under dramatically increasing workloads, all areas of the INS are in dire need of substantial increases in available resources; I have mentioned just those programs which beg for immediate attention. There must be further increases in all areas of adjudications and enforcement as part of a balanced overall resource enhancement plan for the agency.

We are at a critical juncture in the renovation of U.S. immigration law. The major immigration bill of the 98th Congress--the Simpson-Mazzoli bill--came within inches of passage last year. Movement toward introduction of a Simpson-Mazzoli like comprehensive immigration bill in this Congress has already begun. Yet, even if this Congress is successful in passing immigration reforms, they will not completely stem the tide of illegal aliens currently flooding into the U.S. In fact, should the bill contain a recent-date amnesty and weak employer sanctions, it could actually encourage illegal immigration.

If illegal immigration is to be brought under control, a comprehensive campaign will have to be fought. A prohibition on the hiring of illegal aliens, such as last year's bill proposed, is only one facet of such a campaign. Enforcement of current immigration laws in a manner consonant with the Congressional intent must be another.

If the immigration reform bill adopted contains a blanket amnesty, it will only encourage illegal immigration. Because fraudulent documents are readily available throughout Mexico and the United States, illegal immigrants will migrate to the U.S., in the hopes of fraudulently qualifying for the amnesty program. There is little doubt the surge of illegal entrants along the U.S. border will be without precedent.

I do not want to sound alarmist, but I do want to make clear that the administration's budget request for Fiscal Year 1986 is not enough to counter the pressures that will be felt along the southern border if a bill like Simpson-Mazzoli becomes law. There will be pressure to pull line officers off line duty to process hundreds of thousands, perhaps millions, of amnesty applications. If additional funding and manpower are not in place at the time of legalization, the INS will be powerless to turn the tide. Now is the time to begin building up the Border Patrol.

In conclusion, let me say that we strongly urge you to increase the administration's 1986 budget request by at least $33 million. Adequate funding for the Immigration and Naturalization Service is a must. We stated last year that a single appropriation would never serve as a panacea for a federal agency as severely malnourished as the INS, and that it would take sustained funding over a period of several years before the INS would be strong enough to shoulder the weight of the responsibilities it has been given. It is for this reason that we appear before you, again asking for INS budget increases.

Last year's increases in the budget for the Border Patrol and the ADP systems were welcomed. FAIR believes they must be followed this year by a balanced increase in agency funding as a whole. This includes adding more investigators, more antismuggling personnel, more immigration judges, more trial attorneys, more inspectors, more support personnel, and expanded detention facilities. The $33 million figure we request in additional funding represents the most nominal increase in appropriations we believe necessary to allow INS to continue improving its service and enforcement programs. We are well aware of the urgent need to keep government spending at a minimum. But, to have given the Service more Border Patrol officers without now expanding its capacity to process and deport aliens expeditiously is like giving a man in the desert a brief summer shower and a glass with no bottom.

EXHIBIT "A"

Selected Measures of International Migration to the U.S.
(or their proxies) FYs 1970-1983

	LEGAL		TEMPORARY	ILLEGAL
FISCAL YEARS	IMMIGRANTS (1)	REFUGEES (2)	NONIMMIGRANTS (3)	APPREHENSIONS OF DEPORTABLE ALIENS (4)
1970	373,326	9,883	4,431,880	345,353
1971	370,478	6,361	4,403,761	420,126
1972	384,685	10,396	5,171,460	505,949
1973	400,063	9,808	5,977,324	655,968
1974	394,861	9,076	6,908,708	788,145
1975	386,194	146,158	7,083,937	766,600
1976	398,613	27,000	7,654,491	875,915
1977	462,315	20,000	8,036,916	1,042,215
1978	601,442	36,500	9,343,710	1,057,977
1979	460,348	111,000	9,390,000*	1,076,418
1980	530,639	207,000	no data	910,361
1981	596,600	159,000	11,600,000	975,780
1982	594,131	97,279	11,400,000*	970,246
1983	567,645	60,622	not yet available	1,220,837
1984	543,903	not yet available	not yet available	1,234,081

* Estimate or partial estimate.

Compiled by Davis S. North, New TransCentury Foundation, February, 1984

For definitions and sources see explanatory note on following page.

- EXPLANATORY NOTE -

The preceding table is not completely homogeneous: definitions shift from column to column and from year to year. This is mainly due to the complexity of the field and the government's neglect of immigration data.

While the count of arriving refugees (column 2) is quite good, the numbers noted in column 1 reflect both the number of immigrants arriving that year and some fraction of refugees who arrived in previous years and subsequently adjusted their status. Because of this, column 1 reflects a certain amount of double counting since 1979, exaggerating the true numbers by as much as 100,000 in some years. On the other hand, the arrival of more than 125,000 Cuban and Haitian entrants in 1980 is not recorded anywhere on the table, as they do not fit neatly into any single INS category.

The Immigration and Naturalization Service's nonimmigrant (temporary visitor) data system completely collapsed in 1980, and has not yet fully recovered. What is recorded in column three are the admissions (first entries) of tourists, foreign students, diplomats and other persons who entered the United States on a temporary (and legal) basis.

The final column can be viewed only as a rough proxy of illegal entries into the United States. What it records are apprehensions, not people. Many people are caught several times a year by the INS. Others enter the country repeatedly without trouble. Although the INS had more Border Patrol agents in 1983 than in 1970, the increase in arrests primarily reflects an increase in illegal traffic, not an increase in enforcement resources. As an indication of this, the number of agent-hours needed for an arrest dropped sharply between 1970 and 1984.

Sources:	Column 1:	1970-1980 INS Annual Reports; 1981, by telephone from Statistics branch, INS; 1982, estimate published in Washington Post, January 9, 1984.
	Column 2:	1970-1981, Washington Post article of January 9, 1984; 1982 from Refugee Reports Washington Office, by phone; 1983, from "Office of Refugee Resettlement Monthly Data Report for September, 1983," ORR-DHHS.
	Column 3:	1970-1979, from 1979 Statistical Yearbook of the Immigration and Naturalization Service, Table 15 for subsequent years by telephone from INS Statistics Branch.
	Column 4:	1970-1980, from the Annual Reports and Statistical Yearbooks of INS (Table 52 in 1980; Tables 30 in 1976-1979, and Tables 27B in 1970-1975: subsequent years by telephone from the Office of the Associate Commissioner: Enforcement, INS.

* 1983, 1984 statistics were updated using the unpublished INS Data Detail Run 401.

PREPARED STATEMENT OF EDWARD I. KOCH

MAYOR

NEW YORK CITY

Chairman Laxalt, members of the Subcommittee, fellow colleagues: Thank you for extending to me this opportunity to return to Congress to testify on Federal reimbursement for the local costs of protecting foreign officials -- an issue of paramount importance to New York, and indeed, to our nation.

I am here today primarily to address New York City's concerns with two separate but closely allied diplomatic police protection reimbursement programs, one for United Nations dignitaries, authorized by P.L. 94-196 the Executive

Protection Services Act and the other for Consular officials, authorized by P.L. 98-164, the 1984 State Department Authorizations Act.

New York has a substantial stake in both these programs since the City serves as host to the largest diplomatic community in the world; -- one consisting of over 32,000 diplomats associated with 157 United Nations missions and 90 Foreign Consulates.

Providing routine police services as we must do for all our citizens, such as crime prevention, safety patrols, emergency aid and investigations of criminal activity are not part of my testimony here today. New York City and numerous other cities across the country gladly absorb the cost of providing these services to their diplomatic communities -- even though I might add that municipalities receive nothing in return, such as income, property or sales taxes, not to mention parking fines or other legal judgements.

The type of protection about which we are talking today is "extraordinary protection." Extraordinary protection is based on threats posed against specific diplomats at specific times, and it allows them to perform their business in an unhampered and safe manner. This type of protection far exceeds the scope and responsibility of local police activity. It actually fulfills a federal responsibility assumed through reciprocal international agreements. It is for this reason, coupled with the fact that international terrorism has been on the rise in the last few years, that the federal government has begun to acknowledge its responsibility in sharing the cost of this type of protection.

In December 1975, after 15 years of effort by New York for Federal assistance, President Ford signed Public Law 94-196, allowing reimbursement up to a maximum of $3.5 million annually to local law enforcement agencies for the protection of foreign dignitaries visiting the United Nations. The City's longstanding contention that protecting these foreign dignitaries is a Federal responsibility was accepted in the Senate Report which accompanied P.L. 94-196: "...local communities should no longer be forced to bear the full cost of what is essentially a national obligation."

As a result of Congressional initiatives during 1982, the amount available for U.N. Police protection increased from the original $3.5 million level to the current level of $7 million, which more accurately reflects the average annual cost of extraordinary United Nation's Police protection. For example, in calendar year 1982 fixed post costs alone were in excess of $5 million while the cost of protecting 59 visiting dignitaries amounted to nearly another million. Additional demonstrations, protests and supplemental costs added another $3 million. Though all these costs are United Nations related, not all are deemed eligible for reimbursement by Treasury. All those costs in excess of the authorized $7 million, are still absorbed by the taxpayers of the City of New York.

The second of the two programs we are discussing today, was authorized for the first time in Federal fiscal year 1984 and would provide $6 million nationwide for the protection of Foreign Consulate Officials. As you know, last year $1.5 million was appropriated for this program. This would allow reimbursement for the extraordinary protection of Consular officials who are frequently in as much need of such protection as are Untied Nations dignitaries. New York City has for many years maintained that local governments should be reimbursed for the extraordinary protection they provide Consular officials in a similar fashion to the way they are reimbursed for United Nations dignitary protection. The City has for example absorbed between $500,000 and $800,000 per year for such protection and relief of all or part of this burden would be welcome.

Regarding both of these programs, we have been fortunate that we have been able to ward off serious terrorist activities committed against the diplomatic community in New York. Prior to 1980, we had a perfect safety record with respect to the personal security of diplomats and their families. In the 34 years since the establishment of the United Nations, no diplomat had been assassinated or abducted and a procession of popes, members of royalty and heads of state and government had moved through the City and departed in safety.

Even though New York's enviable record of no diplomatic bloodshed was marred in the fall of 1980 when a Cuban diplomat was shot to death on a City street, our Police Department has done a remarkable job. In their performance of the diplomatic protection function they are serving all Americans, and they are doing so at considerably less than what it would cost the Federal government to do so. The Treasury Department has itself testified before Congress that if the Federal Government were to physically provide this protection, as it does here in Washington, it would cost $20.1 million to do so in the first year alone, with an annual cost thereafter of $14.5 million. Surely in this light, the $7 million which has been authorized for this purpose is not only reasonable, it is in fact, a real bargain for the United States, something rare in this day and age. Does this efficiency warrant reductions? I think you'll agree that it does not.

As you can see, the cost of providing police security for New York's diplomatic community is costly, but much less costly than the implications for our country of having "half-way" protection. The Federal Government has recognized its obligation to reimburse the City for these expenditures. This year, the Administration was asked for full funding of the United Nations protection program. I urge Congress to provide full funding again this year.

I would like to take this opportunity to inform you of the potential increased costs of necessary extraordinary protection surrounding the October celebration of the 40th anniversary of the United Nations this year. Sixty heads of State have been invited to attend. The City will provide details of our expenditures as soon as they are available.

New York would also like to see the appropriation of funds for the Consular Protection program because it is also a worthy and necessary program.

PREPARED STATEMENT OF DALE B. BAKER
DIRECTOR
CHEMICAL ABSTRACTS SERVICE DIVISION
AMERICAN CHEMICAL SOCIETY

The Honorable Paul Laxalt
Chairman
Subcommittee on Commerce, Justice,
State, and Judiciary
Appropriations Committee
U. S. Senate
Washington, D.C. 20510

March 28, 1985

Dear Senator Laxalt:

I wish to record my support for that component of the FY 1986 State Department Budget that concerns support of U.S. participation in international scientific and technical information activities.

I write as Director of the Chemical Abstracts Service Division of the American Chemical Society. The American Chemical Society is a nonprofit scientific and educational organization with a membership of over 131,000 chemists and chemical engineers. Chemical Abstracts Service (CAS) is the world's principal abstracting and information service for chemistry and chemical engineering. It reports on research and development performed in 150 nations and serves an equally widely distributed audience of scientists, engineers, teachers, and others.

In the late 1970's, I was privileged to serve on the Committee on International Scientific and Technical Information Programs of The National Academy of Sciences, National Academy of Engineering. The committee spent nearly five years studying international organizations involved in information science and the exchange of information and concluded that continuing and increased U.S. participation in those bodies was essential for the advancement of American science and technology. The committee report cited three major goals and 14 objectives that the committee believed were of critical importance to our nation. A summary of these goals and objectives is enclosed.

In my own experience in working with a variety of international bodies over the past 30 years, I have found many worthy of U.S. participation and support. Three that I wish to single out as particularly worthy of suport are:

The International Council on Scientific and Technical Information

The International Organization for Standardization

The International Federation for Documentation

The International Council on Scientific and Technical Information (ICSTI), formerly the International Council of Scientific Unions Abstracting Board, was created over 30 years ago by scientists and information experts to help organize and promote international exchange of primary and secondary scientific and technical information. CAS as an institution and I personally have long been active in the organization. Through ICSTI, information services such as CAS, our counterparts in other disciplines and other nations, and member unions of the International Council of Scientific Unions work together on a variety of investigative, educational and other activities designed to strengthen the information components of science and technology. The benefits that CAS has received from its participation in ICSTI are directly translatable into better and more efficient service to U.S. industrial, academic and government science and technology.

The International Organization for Standardization (ISO) is the acknowledged body through which the U.S. can increase participation in development of international standards. Development of standards is complex, difficult, unglamorous, and essential to progress in science and technology and to much of human activity that has a technical component. International information transfer, especially in the modern era of computers and telecommunications, is dependent on international standards and their improvement. International standards are both desirable and inevitable, and it is far better that U.S. organizations take a leading role in their formulation rather than be faced with adherence to standards that others have developed in the absence of U.S. input.

The 90-year-old International Federation for Documentation (FID) has long been a major forum for communication between peers in the information and documentation field worldwide to discuss matters related to documentation in all fields. In particular, it regularly brings together representatives of the Eastern Bloc nations, the developing nations, and the Western nations.

I also wish to urge favorable consideration of that portion of the budget request that supports work toward improving the availability of hard-to-get foreign reports through such agencies as the National Technical Information Service and the National Federation of Abstracting and Information Services. Access by U.S. scientists and engineers to reports of foreign work of potential value currently varies substantially depending on the subject matter, language and type of publication. CAS, for example, has for 75 years made available English-language descriptions of reports of chemical research and development published around the world in more than 50 languages. However, in some other technical areas with less well established information transfer traditions and mechanisms, such as electronic technology, and for some material in "difficult" languages such as Japanese, access to foreign information by U.S. workers is considerably less complete and certain.

Enclosure(s)

Goals and Objectives cited by The Committee on International Scientific and Technical Information Programs, National Academy of Sciences, National Academy of Engineering.

Goal 1. TO ACHIEVE ACCESS TO SCIENTIFIC AND TECHNICAL INFORMATION GENERATED OUTSIDE OF THE UNITED STATES FOR THE ADVANCEMENT OF AMERICAN SCIENCE AND TECHNOLOGY

Objectives

1.1 Maintain awareness of non-U.S. scientific and technical information products, services, systems and activities for the alerting of the American user communities

1.2 Cooperate with international scientific and technical information organizations for improved planning and mutually beneficial collaboration

1.3 Encourage bi-national and multi-national scientific and technical information acquisition, processing, and distribution agreements for the sharing of tasks and costs

1.4 Encourage the development of internationally compatible systems, standards and procedures that will produce advantages for the scientific and technical communities

1.5 Provide education and training of U.S. scientists and engineers in the use of modern techniques for the search and retrieval of information.

Goal 2. TO ENHANCE INTERNATIONALLY THE USEFULNESS OF UNITED STATES SCIENTIFIC AND TECHNICAL INFORMATION SYSTEMS, SERVICES AND PRODUCTS

Objectives

2.1 Acquire knowledge of foreign needs, requirements, or use of scientific and technical information

2.2 Provide education and training of foreign scientific and technical information specialists.

2.3 Encourage foreign service by United States scientific and technical information specialists

2.4 Make U.S. services, systems and products available to the scientific and technical communities of other countries

2.5 Exercise active participation and strong leadership in international information organizations

Goal 3. TO ADVANCE THE CAPABILITIES OF UNITED STATES INFORMATION PROFESSIONALS THROUGH COOPERATION AND INTERACTION WITH THEIR OVERSEAS COUNTERPARTS

Objectives

3.1 Advance research and development in scientific and technical information through the international interaction of U.S. professionals with their overseas counterparts

3.2 Improve the management and operation of scientific and technical information services through the cooperation of U.S. professionals with their overseas counterparts

3.3 Encourage the presentation of papers and demonstrations of modern advances in information science at international scientific and technical meetings

3.4 Improve the interaction of U.S. information professionals with their national and international user communities

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PREPARED STATEMENT OF MICHAEL A. SAMUELS

CHAMBER OF COMMERCE OF THE UNITED STATES

The Chamber of Commerce of the United States is the world's largest federation of companies and associations, and is the principal spokesman for the American business community. It represents more than 180,000 companies plus several thousand other organizations such as local/state chambers of commerce and trade/professional associations.

More than 85 percent of the Chamber's members are small firms with fewer than 100 employees. Yet, virtually all of the nation's largest companies are also active members. We are particularly cognizant of the problems of smaller businesses, as well as issues facing the business community at large.

Besides representing a cross section of the American business community in terms of number of employees, the Chamber represents a wide management spectrum by type of business and location. Each major classification of American business — manufacturing, retailing, services, construction, wholesaling, and finance — numbers more than 14,000 members. Yet, no one group constitutes as much as 26 percent of the total membership. Further, the Chamber has substantial membership in all 50 states.

The Chamber's international reach is substantial as well. It believes that global interdependence provides an opportunity, not a threat. In addition to the 50 American Chambers of Commerce Abroad, an increasing number of members are engaged in the export and import of both goods and services, and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on national issues are developed by a cross section of its members serving on committees, subcommittees and task forces. Currently, some 1,800 business people participate in this process.

Mr. Chairman and members of the Subcommittee, I am Michael A. Samuels, Vice President, International, Chamber of Commerce of the United States, and Executive Director of the Center for International Private Enterprise (CIPE).

I have served in several foreign policy positions — in Sierra Leone as Ambassador, in the State Department, in the White House, and in the Georgetown Center for Strategic and International Studies as Executive Director of Third World Studies. Since joining the Chamber, I have been responsible for relations with the 53 American Chambers abroad, the 14 bilateral business councils, and the Chamber's international policy issues.

On behalf of the Chamber, I wish to commend the Subcommittee for the leadership shown in supporting the creation of the National Endowment for Democracy, to whose principles the Chamber remains fully committed, and I am pleased to report to you on our progress in implementing the business portions of the Endowment.

Progress to Date

Nearly two years ago, your Subcommittee first launched the Endowment as part of the State Department reauthorization bill. Congress passed the legislation in November of 1983, and the first funds were made available to CIPE in early 1984. In less than a year, CIPE has become fully operational. We have established relations with counterpart organizations in every region and have conducted programs throughout the developing world.

Major Goals

Let me take this opportunity to share with you the major goals which CIPE has been and will be pursuing for the foreseeable future. They are twofold. First, CIPE will work to strengthen the capability and will of representative business organizations in various countries to increase their impact on public policy in their countries. Second, CIPE will work to encourage a greater understanding of the essential role played by an open economy and the marketplace in good public policy, in both growth and development, and in the proper functioning of democracy. All of our projects will serve one or both of these goals.

Summary of Activities

I have attached CIPE's Annual Report and final quarterly report to my statement as Appendix 1 and ask that they be included in the record.

Because these reports provide the Subcommittee with a full account of our activities, I will summarize the highlights of the first year.

Throughout the world, private enterprise and individual initiative are increasingly seen as the source of economic growth and human advancement. CIPE reflects the Chamber's commitment to assisting other nations in their struggle for freedom, prosperity, and human dignity.

Edward Donley, Chairman and Chief Executive Officer of Air Products and Chemicals, Inc., serves as the Chairman of CIPE's Executive Council. The membership of the Executive Council is listed in the Annual Report. It includes small business leaders, corporate executives, academics, and others with expertise in international business.

During 1984, CIPE began its first year with projects geared to strengthening chambers of commerce, employers' organizations, and other business groups abroad. CIPE's initial step was to sponsor the participation of 26 foreign association executives in the Chamber's Institute for Organization Management to gain practical experience in chamber and association work. The Institute program included two weeks of courses and discussions. Participants came from the People's Republic of China, India, the Philippines, Egypt, Spain, Greece, Grenada, Costa Rica, and elsewhere in the developing world.

In Latin America, CIPE programs are encouraging the growth of business advocacy. For example, a CIPE grant is enabling Peru's Institute for Liberty and Democracy to push for economic freedom, property rights, and open markets by reforming regulatory and legal systems. In Nicaragua, CIPE support is essential to the survival of the entrepreneurial spirit.

CIPE also initiated efforts geared to the special needs of Africa by funding a conference on entrepreneurial development held by the Africa Club. Nearly 200 business, government, and academic leaders from 14 African countries met to consider ways to create incentive economies and market systems in the continent. Immediately thereafter, CIPE began a program of management assistance to support the Zimbabwe National Chamber of Commerce in its efforts to halt the spread of Marxism in their country.

Europe represents a special case. CIPE programs are two types. First, we are assisting business organizations in Spain to propose reforms of the educational system and to strengthen their own management training effort. These programs are designed to encourage the business community in that country to play a meaningful and positive role in the transition to democracy. A second type of activity relates to the international business organizations headquartered in Europe. CIPE is supporting efforts by the International Organization of Employers to assist affiliates in Central America. I believe such efforts will strengthen the international business institutions, as well as those located in particular countries.

Other CIPE programs include private enterprise education, management and technical assistance to business organizations, communications and journalism training, and a research and publications program.

CONGRESSIONAL ISSUES

Mr. Chairman, I want to take this opportunity to comment on several issues that surfaced during the Congressional debate over the Endowment. The year of experience that we have gained in operating the program gives us a fresh perspective for responding to the concerns many had about CIPE and the other parts of the Endowment structure.

The need for oversight was one of the concerns raised most frequently. The General Accounting Office conducted two audits. Another has been requested. In addition, each part of the Endowment has been audited by an independent accounting firm. The Chamber welcomes these audits which are public and which prove that the organizations carrying out your mandate are doing so responsibly and that adequate oversight has been exercised.

The Endowment has gone further in making records public. The Endowment Board has adopted resolutions guaranteeing full public disclosure of grant records and performance reports. These resolutions were adopted in response to Congressional concern over the Freedom of Information Act (FOIA). Because the Endowment was privately established, FOIA does not apply, just as it does not apply to other private entities that receive public funds. In the Chamber's view, the Endowment Board's actions are sufficient to guarantee the public's right to know while maintaining its essential private character.

A closely related concern was the fear that the Endowment or its grantees would interfere in elections overseas. The Endowment Board has adopted resolutions to limit the types of programs that grantees may undertake. Specifically, the Board prohibited any contributions to candidates for public office or to related campaign organizations. These resolutions had the effect of meeting the Congressional concern while allowing grantees to undertake programs in support of the broad democratic process. Although CIPE has not yet undertaken any programs in support of democratic elections, I have believed from the start that such programs within the Endowment are a vital part of supporting democratic development.

The issues mentioned have stemmed from the private character of the Endowment. A few have thought that the programs should have been made subject to prior approval by the embassies or at least the executive branch. As a former ambassador, I have been sensitive to these views. I have discussed this with some of the ambassadors and foreign service officers. The conclusion I reached is that the existing system serves the best interest of the United States. In authorizing funding for the Endowment in P.L. 98-164, Congress recognized the private nature of the Endowment and its grantees while preserving public oversight. This system which it created has allowed the Endowment Board to fund creative projects that normally would not or could not be initiated through the government system. Further, because the ambassador has no control over Endowment programs, he or she has no responsibility for programs that may be unpopular with the government of the day in a particular country, even though such programs may be in the best interest of the people of that country.

The Endowment was created as an agent of democratic change. Progress to date has confirmed the wisdom of Congress in funding a private, non-governmental program to nurture democratic development. I strongly believe that these efforts could not have been and could not in the future be conducted directly by government agencies.

I wish that I could have stopped on the note I have just sounded. However, some have questioned the need for travel. A trip that I took to attend an international conference on cooperation among chambers of commerce in developed and developing countries held in Stockholm was a subject of discussion in both houses of Congress. The attendees were drawn from the Third World. This trip and others like it represented the most cost-effective means of reaching those needing support. In fact, I found that people were more willing to speak out in an international forum than they would have been in their own countries. I would encourage this Subcommittee to assist this program by making some public recognition of the fact that, in order for an organization working with foreign counterparts to function responsibly, foreign travel is an appropriate and responsible use of taxpayers' money. To ensure that such travel is not misused, CIPE has developed a travel policy, a copy of which is contained in Appendix 2.

FUTURE PLANS

I would like to sketch for the Subcommittee some of our plans for future programs that we believe deserve support. First, CIPE will expand its training efforts by taking the Chamber's Institute program overseas. This expansion will enable us to reach the largest number of individuals at the least cost. Projections call for courses in North Africa and South Asia in 1986. These are in addition to the Latin American course planned for this calendar year.

As I mentioned previously, our Latin American programs focus on support for business advocacy. CIPE plans to conduct additional programs in private enterprise education over the next year to counter the growing Marxist tendencies in the schools and universities of the region. We also plan to enlarge our support for deregulation and open markets to promote economic freedom for individual entrepreneurs. In this respect, we plan to encourage business communities throughout the region to look at the Peruvian model as a means of encouraging the growth of a stable middle class committed to democratic principles.

In Africa, CIPE will continue to build on the success of our entrepreneurship conference. We have requests to guide the development of independent business organizations in several African countries where none have existed. As an Africanist, I believe that this is one of the most encouraging developments seen in recent years. Over time, an independent private sector can provide new leadership so desperately needed in the young African nations.

Asia represents one of the most fertile areas for CIPE programs. As I mentioned, we plan to hold one of our training courses in South Asia next year. Additionally, our Chairman will be going to the People's Republic of China to continue conversations with members of the All China Federation of Industry and Trade. The Chamber hopes to help strengthen the private sector in the People's Republic of China. In this way, we will foster the growth of pluralism.

Mr. Chairman and members of the Subcommittee, let me conclude by saying that the National Endowment for Democracy and CIPE have justified the vision you and the Administration shared in creating a new approach to democratic development. I believe we have earned your continued support.

CIPE ADMINISTRATIVE POLICY

*** Foreign Travel ***

This paper sets forth CIPE policy on foreign travel by staff members. International travel is essential to CIPE's operation for a number of reasons. These include: developing programs; monitoring and evaluating applicants and grantees; providing management and technical assistance; and representing CIPE at key international meetings and conferences. Foreign travel also provides firsthand knowledge of country conditions in regions of CIPE activity and helps maintain the visibility and credibility necessary for an effective, global operation.

All foreign travel must be conducted under existing CIPE funding categories that have been approved by NED and incorporated into the NED grant agreement. Each trip must be approved in advance by CIPE's Executive Director and comply with travel procedures and restrictions enumerated in the CIPE procedures manual. Efforts will be made to economize on travel costs. To minimize the number of individual trips, most travel will be for combined purposes. Executive Council Members have been asked to inform CIPE of their international travel plans and their ability to include CIPE business in their itinerary.

Foreign travel will generally be for the purposes described below. Trips for other purposes must be justified in writing prior to approval.

Monitoring and Evaluation

CIPE does not take its responsibility for managing grant funds lightly. In order to make well-informed funding decisions and to maintain proper control over our grant funds, it is often necessary to make site visits before, during, and after grant activity. Without a field staff, thoughtfully planned and well-timed visits are an essential adjunct to our system of monitoring and evaluating through written reports.

Before funds are committed, CIPE must be reasonably confident of the success of its projects. Proposals for vital, well formulated, and timely projects sometimes raise questions concerning methodology and organizational capabilities that cannot be resolved through long distance communication. When the project is important, solutions must be pursued, often through on-site visits. Such visits often not only provide the information required to make a final decision, but assist the grantee in devising better approaches to the project and methods of overcoming problems.

During the course of a grant, problems may develop or questions may arise concerning the direction of the project. There may also be critical checkpoints where it is necessary to schedule visits to monitor progress. Staff travel will be utilized when it is determined to be the best method of ensuring that CIPE's interests are properly represented, funds are adequately controlled, and goals are met. Again, such visits can both evaluate and guide the grantee.

Follow-up visits will be required for many of CIPE's major projects. They may also be necessary when regularly required final financial, descriptive and audited reports and efforts through standard communication channels have failed to resolve questions concerning grant performance. Such questions may involve fulfillment of grant conditions, and use and accounting of grant funds.

Management and Technical Assistance

A major category of CIPE funding is Management and Technical Assistance. Through this program, CIPE provides expert consultation to business associations with specific organizational needs. Many of the consultants involved in this program are Chamber of Commerce staff members who travel to locations throughout the world to share with grantees the benefits of their expertise. This program of on-site consultation, which is designed to enhance the capabilities of foreign business organizations and their ability to promote the principles of private enterprise, is a key component of CIPE's overall objectives.

Program Development

Developing an effective worldwide program to foster private enterprise and encourage the growth of independent business organizations requires a vast network of contacts. CIPE's strategy for building this network includes close association with participants in the Institutes for Organization Management, broad distribution of published information, and expansion of the Regional Directors' contacts that have been developed through their other responsibilities. However, our effort to build an international presence must not ignore the importance of on-site personal interaction with individuals and groups who are grappling with the issues and conflicts targeted in CIPE's objectives. Whether projects are in Africa, Asia, Europe or Latin America, their long-term viability often depends on the strength of personal relationships, nurtured from the outset.

Delivered on a personal level, the CIPE message has a powerful impact on many individuals and groups who feel they are alone in their beliefs, facing tremendous opposition. The knowledge that there is a group that shares and supports the same ideals instills the confidence to pursue ideas and initiate projects and solutions based on principles that would otherwise remain untried.

CIPE not only responds to unsolicited proposals but works to generate projects in regions of the world where CIPE support can have the greatest impact. This requires a periodic presence in the region to discuss and encourage possible projects with key individuals and groups. It also demands an understanding, best achieved through firsthand observation, of the dynamics of each target region.

CIPE Representation

Among international and regional organizations with purposes similar to CIPE's, there is an ongoing schedule of meetings and conferences. It is important that staff attend the most critical of these gatherings to represent CIPE philosphy, participate in ongoing dialogues germane to CIPE's operation, and cooperate, whenever appropriate, with efforts of organizations that share CIPE's goals.

There are also numerous meetings of recipients or potential recipients of CIPE support. Judicious attendance at these meetings is an effective method of developing new projects, coordinating efforts within regions, disseminating program results that may be used as models, generating interest in the principles of private enterprise as a vehicle for economic growth, and enhancing CIPE's visability as an international source of support.

CENTER FOR INTERNATIONAL PRIVATE ENTERPRISE

INTRODUCTION

The Center for International Private Enterprise is a division of the National Chamber Foundation, an affiliate of the U.S. Chamber of Commerce. CIPE's overall goals are to foster the development of open market, private enterprise systems and encourage the growth of independent business institutions as a means of encouraging the development of democratic pluralism abroad.

This 1984 fourth quarter report includes a summary of each of the major programs contained in grant number 84-4A-02.0 from the National Endowment for Democracy and a report on the activity of each program during this quarter. The report is organized into five Sections: major programs supported by project grants from CIPE, Management and Technical Assistance grants, CIPE-administered programs, an administrative report and a financial report. There are several annexes to the report which provide additional detail on specific sections.

CIPE PROGRAM GRANTS
by Region

LATIN AMERICAN/CARIBBEAN

1. Grantee: Instituto Libertad y Democracia (ILD), Lima, Peru

   Program: The Informal Sector in Peru - Integration and Deregulation

   The Instituto Libertad y Democracia (ILD) has carried out extensive research on the informal sector in Peru. Among the major conclusions is that a large part of the Peruvian economy operates outside the available legal framework, not because of a desire to avoid the law, but because access to the economic system is blocked by layers of regulation. Under this grant, the ILD will formulate public policy recommendations with a view to revising current Peruvian legal regulation through elimination of existing codes, and will carry out an ongoing program of cooperation with Peruvian national, municipal, and local government officials for the purpose of disseminating and implementing ILD's policy recommendations.

   The first issue addressed by ILD under its CIPE-funded program was the Peruvian government's excessive use of administrative decrees rather than parliamentary processes in making rules and regulations. Based on ILD evidence, the Peruvian government has agreed to curtail the use of administrative rule-making and adopt a new format that will allow for more popular participation.

   Informal economies result from a complex environment in which traditional oligarchic business communities on the one hand, and governments on the other hand, effectively monopolize economic and political rights, denying these to a large segment of the population. This economically vital, but legally disenfranchised group often represents individual initiative and private enterprise in a nearly pure sense, but has been forced to retreat to an informal sector where their livelihood and existence is constantly under threat.

The project goal is to change the present situation in Peru, opening the way for greater involvement in political processes and protection of economic rights. The situation addressed by this program is not unique and methodology and experience gained through this effort can serve as a model in other countries.

Grant Amount: $120,000

Grant period: October 1, 1984-September 30, 1985

2. Grantee: Fund for Multinational Management Education (FMME)
New York, New York

Program: Development, Growth and the Private Sector in Latin America: A New Approach

FMME is organizing a conference in Mexico City that will bring together individuals committed to exploring ways in which the business community can become an active participant in the political processes of policy formulation in an effort to promote open, democratic, private sector-based approaches to development and growth. The program will draw heavily on the research of the Instituto Libertad y Democracia in Peru and will look at the informal sector as a vehicle for policy change.

A detailed outline of the program has been drafted and contacts have been made with individuals and organizations concerning their participation and contribution to the conference.

The research and policy implementation program undertaken by the ILD and other organizations will have broad impact only if made public. This program will establish a network of like-minded individuals and organizations in the hemisphere who are seeking private enterprise solutions to public policy issues.

Grant Amount: $110,000

Grant period: October 1, 1984-July 31, 1985

3. Grantee: Centro de Estudios en Economia y Educacion, A.C. (CEEE)
Monterrey, Mexico

Program: Academic and Intellectual Defense of the Role of Free Enterprise in Mexico

This project was conceived to foster a public forum to promote the potential role of private enterprise in the economic development of Mexico. To achieve this goal, CEEE has developed the following three part strategy:

- improve media appreciation of the market process and the costs of government interventionism by conducting a series of seminars for journalists;
- enhance public support for free market policies by providing editorials about current economic issues to the nations's 25 leading newspapers;
- improve CEEE research and publishing capabilities.

Dates, faculty, and subjects of the seminars have been submitted; the editorial program began in January 1985.

Private enterprise is often misunderstood and misrepresented by the press. To counter this situation in Mexico, CEEE has designed an education/opinion dissemination program that advocates private enterprise as an essential element in democratic societies.

Grant Amount: $33,000

Grant period: December 1, 1984-December 1, 1985

4. Grantee: Greater Newark Chamber of Commerce, Newark, New Jersey

Program: Small Chamber Outreach Program in the Dominican Republic

The Greater Newark Chamber of Commerce is twinned to the chambers of the Dominican Republic. Based on this ongoing relationship, a program has been developed that will assist the chambers of commerce outside the two major cities of the Dominican Republic to strengthen their organizational capabilities, emphasize the relationship between business associations and political development, develop chamber training programs, and establish an exchange program.

The planning and organization assessment portions of the program have begun; a coordinator has been hired in the Dominican Republic; committees have been formed in each of the participating Dominican chambers; one of the chambers involved was recently formed by a participant in the CIPE-funded Institutes for Organization Managment.

One of the roles of local U.S. chambers is to carry the message that business organizations have a responsibility to their members, their communities, and their countries. Through this twinning program, this message will be delivered by example, not by lecture, in the context of exchanging ideas about the most effective techniques for organization management and development. The goal is to build stronger chambers of commerce in the Dominican Republic that are committed to a more active role in the community and the public policy processes.

Grant Amount: $110,460

Grant period: September 1, 1984-August 31, 1985

5. Program: EMPRESA

EMPRESA (Enterprise) is a Spanish-language education program that teaches the basics of private enterprise, focusing on the role of enterprise in society and how aspiring entrepreneurs can start their own businesses. The program was developed by the U.S. Chamber together with the Association of American Chambers of Commerce in Latin America (AACCLA), and the Fund for Multinational Management Education. EMPRESA has been used successfully in employee and adult education programs; the CIPE program expands this effort by supporting the introduction of the program to schools in Latin America, working through appropriate local business groups in cooperation with the American chambers in the region.

Interest in the program has been expressed by organizations in several countries. The first program grant will be awarded to COPARMEX, the leading independent business association in Mexico, which presented a program that will introduce the course into the government-supported vocational schools.

Copies of the program have been distributed to numerous Latin American business organizations and their comments have been solicited. A study has been commissioned to evaluate the effectiveness of the program in areas where it has been run, and to recommend other education programs that will complement EMPRESA.

Education is central to the understanding of the private enterprise system. This program addresses specifically the role of the individual in the creation of business and the economic opportunity afforded to individuals under the private enterprise system.

Amount Available: $50,500

AFRICA

6. Grantee: Club d'Afrique - Lome, Togo

Program: International Colloquium on "Growth, Equity, and Self-Reliance: Private Enterprise in Africa - the Challenge of the Eighties"

The Club d'Afrique organized a four-day program, during which working groups identified solutions to the problems that face private enterprise development in Africa, and proposed ways in which the private sector can be more directly involved in the formulation of policies that affect private initiative. The colloquium was held on November 5-8, 1984 and was attended by nearly 200 participants representing businesses, business organizations, universities, African governments, international organizations, and aid donors.

CIPE's grant was made contingent on fulfillment of certain conditions; a final decision on the grant was made following discussions in Togo by the CIPE program consultant during the week of September 10, 1984. CIPE will edit and publish on behalf of the Club d'Afrique a book based on the colloquium proceedings.

This program provided a unique opportunity for a cross-section of decision makers to explore the role of private enterprise and individual initiative in economic and social growth in Africa, and formulate specific policy recommendations that could be carried by participants to their governments or organizations. The publication that will result from the colloquium is intended to serve as a stimulus to a continuing public debate on the role of private enterprise. This forum gave participants a first opportunity to form a network that is committed to the support of private enterprise as the essential vehicle for growth in Africa. The program also strengthened the Club d'Afrique as a pan-African forum, and afforded participating CIPE representatives the opportunity to establish direct contact with African counterpart organizations.

Grant Amount:	$60,000
Allocated for Publication:	$40,000

Grant period: June 1, 1984-December 31, 1984

EUROPE

7. Grantee: Instituto de Estudios Economicos, Madrid, Spain

Program: Private Enterprise and the Spanish Education System in the Year 2000

Since the end of the Franco era, little has been done to reform the Spanish education system, and, in particular, the way in which private enterprise is presented in schools. The Instituto de Estudios Economicos (IEE) will carry out research to analyze the current status of the Spanish education system. Based on this analysis, reforms will be outlined that will be used by the business community in their efforts to develop a balanced educational system in which private enterprise is seen to be a positive and essential force for growth and development.

An understanding of the role of private enterprise in promoting economic growth and an appreciation of the contribution of the business community in democratic societies begins with an understanding of the principles of private enterprise. The objective of this program is to explore ways of integrating those principles into the Spanish education system.

Grant Amount: $52,500

Grant period: December 1, 1984-December 31, 1985

MANAGEMENT AND TECHNICAL ASSISTANCE GRANTS

Through this program, limited support is available to provide assistance that meets specific organizational needs. Projects may include, but are not limited to, membership development, policy analysis, business-government relations, public affairs programs, communications, organizational planning and development, education, and small business development.

Applicants submitting management and technical assistance requests may either propose a qualified consultant, or request CIPE to identify an appropriate individual or organization.

This category of CIPE funding is intended to enhance the capabilities of indigenous voluntary business organizations and other groups working to support private enterprise. Such organizations play an essential role in fostering pluralism and, as representatives of business, are the most effective voice in support of the principles of private enterprise.

To date two grants have been made under this program:

- International Organization of Employers (IOE) - to cover costs of a meeting of representatives of employers organizations of Central America and the Dominican Republic. These organizations have been exploring the possibility of forming a regional group. This grant enabled them to discuss in detail the objectives and possible program of work of such a regional grouping.

  Grant Amount: $15,640

  Grant Period: September 1, 1984 - November 30, 1984

- Pan American Development Foundation (PADF) - to support a pilot project with the National Development Foundation in Nicaragua to establish a Private Enterprise Research Center that will survey, assess and publicize the problems of small and micro-businesses. The project will provide economic analyses of present conditions under which the private sector operates in that country and will make recommendations for the liberalization of policy toward the formal and informal business sectors.

  Grant Amount: $45,000

  Grant period: October 15, 1984 - March 15, 1985

CIPE PROGRAMS

1. Institutes for Organization Management

This program is run in conjunction with the Center for Leadership Development of the U.S. Chamber of Commerce. The program has three components:

* Institutes for Organization Management - an intensive training course in effective chamber and association management for staff executives from business organizations around the world.

As reported in CIPE's FY 1984 Annual Report, 26 representatives of business organizations from around the world attended the three summer institutes. Overall response was very positive and a number of proposals for follow-on programs have developed. During the final quarter of 1984, CIPE's agreement with CLD was extended through February 15, 1985, to allow two additional participants from the Caribbean to attend the January institute in Norman, Oklahoma.

* Spanish language software development - a project to produce a chamber management program for use with personal computers, intended to be placed in a number of pilot locations in developing countries.

The Spanish language software development has been delayed and the completion date rescheduled for June, 1985.

* Management monograph program - translation of materials into Spanish for use by Latin American and Spanish business organizations.

Translation of five monographs into Spanish has been completed. These monographs will be used at the first regional institute in Costa Rica, and in a new program in Spain based on the Institutes' format, both scheduled for 1985. Distribution of the monographs to business organizations in Spanish-speaking countries has begun.

The Institutes, through courses and materials development, offers leadership training to key individuals and groups and provides them with an introduction to new concepts of management, and exposure to methods of developing internal and external relations that will improve the effectiveness of business organizations and their ability to participate constructively in the policy process. This program is designed to build strong and effective business organizations that are better able to advocate the principles of private enterprise.

Amount: $206,000

Period: June 1, 1984-February 15, 1985

2. Clearinghouse

Clearinghouse is an ongoing research program designed to develop and collect information on the status of voluntary business organizations worldwide and on the present and potential role of private enterprise in developing countries. The information gathered will be used to guide CIPE's development and assessment of regional strategies and future programs.

A key component in the Clearinghouse project is a series of surveys of the status of business communities and the network of private business organizations (chambers of commerce, trade associations, research organizations etc.) in each region. The first completed survey covered East and Southeast Asia. During the last quarter of 1984 final negotiations were made for surveys of Central and South America. Work on these surveys is scheduled to begin in January 1985. An additional survey of the English-speaking Caribbean is also being planned. The creation of a general data base has progressed as scheduled.

This program provides essential information on the status and needs of business organizations throughout the world, and the nature of the relationship between the market process and democratic systems, and business involvement in democratic development. This information will better enable CIPE to make policy and program decisions based on a thorough understanding of the various conditions existing in the regions of the world.

Amount: $196,800

Period: Ongoing

3. Research and Publication Dissemination

Support for private enterprise and its role in democratic societies cannot develop in a vacuum. This program was designed to create and distribute publications supportive of private enterprise and its institutions. A newsletter is being considered that will contain information on CIPE activities and programs, reports on research findings and methodology relating to private enterprise development, business advocacy, and information on publications relating to private enterprise development. The program also provides for preparatory work on a quarterly journal, the first issue of which is anticipated for 1986.

A first group of publications has been selected for translation and distribution; preliminary research on the technical requirements and costs related to the publication of a newsletter has been conducted. No final decision has been made to begin publication.

Amount: $32,261

Period: October 1, 1984-August 31, 1985

4. International Organization Coordination

The objectives of this program are:

- To develop cooperative relationships with international business organizations for the regular exchange of ideas and information;
- To encourage and support the efforts of international programs that support the private enterprise system and complement or parallel CIPE's objectives;
- To strengthen international business organizations by promoting the active participation of their members in policy processes, and the advocacy of business positions in international fora.

The business advocacy and network building projects involve major policy presentations before national, regional, and/or international organizations, and program coordination and development.

During the last quarter of 1984, CIPE staff members participated in the Annual Meetings of the Caribbean Association of Industry and Commerce and Caribbean/Central American Action at the invitation of those organizations.

Amount: $11,900

Period: April 1, 1984-December 31, 1984

5. Wingspread Conferences

These conferences will be designed to give CIPE the occasion to explore the constraints and opportunities involved in supporting the involvement of business in fostering democratic political development abroad. Participants would include a cross-section of American and foreign leaders from the business, political, and academic communities.

The conferences are in the planning stage. A final schedule will be set pending the results of the surveys and development of a data base for the discussions.

Amount: $82,600

Period: Open

6. Private Enterprise and University Curriculum Development:
   Part I - Latin America and the Caribbean

   This feasibility study will be the first step in a larger, global program of defining developing country attitudes toward private enterprise and the subsequent design of curriculum development activities that will support private enterprise.

   Several organizations in Latin America have been considered as partners in conducting this study. However, no final decisions have been made at this point.

   Amount: $30,500

   Period: Open

ADMINISTRATIVE REPORT

During this last quarter of 1984, CIPE added to its staff Regional Directors and assistants for Latin America, the Middle East, and Eastern Europe, with a Regional Director for Asia scheduled to begin in January. This additional staffing was achieved primarily through an innovative shared staff arrangement with the U.S. Chamber of Commerce. The Chamber arranged to free up sufficient time of key personnel in the International Division to meet CIPE's staffing requirements in these areas.

As a result of this agreement CIPE will realize broad regional coverage by an experienced and highly qualified staff in a tremendously cost effective manner. Up to this point, these same individuals had donated their time to CIPE on an ad hoc basis. Under this new arrangement, the Chamber's regional directors and assistants will devote a prearranged percentage of their time to CIPE. This percentage is based on present and anticipated work loads generated by each region.

CIPE's sub-Saharan Africa activities are presently covered by a consultancy arrangement. We plan to develop a permanent staffing plan for Africa after the results of the conference in Togo are finalized and a survey of the continent has been completed.

In order to coordinate the efforts of our expanded staff and to ensure a smooth and efficient operation, a procedures manual has been developed. This is a working document that will be further refined as we gain additional experience in international programming.

FINANCIAL REPORT
SUMMARY OF FY 1984 NED GRANT FUNDS
THROUGH 12/31/84

Total Received from NED	$ 759,499
Total Disbursed by CIPE	743,826
Balance Carried into 1985	$ 15,673

PROGRAM FUNDS

	Allocation	Disbursed	Balance
PROGRAM GRANTS			
1) Instituto Libertad y Democracia	$ 120,000	$ 49,000	$ 71,000
2) Fund for Multinational Management Education	110,000	47,428	62,572
3) Centro de Estudios en Economia y Educacion	33,000	4,332	28,668
4) Greater Newark Chamber of Commerce Twinning Program	110,460	43,471	66,989
5) Empresa	50,500	-0-	50,500
6) Club d'Afrique	110,000	72,851	37,149
7) Instituto de Estudios Economicos	52,500	4,333	48,167
MANAGEMENT & TECHNICAL ASSISTANCE			
Management & Technical Assistance	221,000	48,764	172,236
CIPE PROGRAMS			
1) Institutes for Organization Management	206,000	121,938	84,062
2) Clearinghouse	196,800	40,162	156,136
3) Research & Publication Dissemination	32,261	-0-	32,261
4) International Organization Coordination	11,900	11,411	489
8) Wingspread	82,600	-0-	82,600
9) Private Enterprise & University Curriculum Development	30,500	-0-	30,500
TOTAL PROGRAM FUNDS	$1,367,521	$ 443,690	$923,831

ADMINISTRATIVE FUNDS

Salaries & Benefits	$211,658	$201,272	$ 10,386
Space & Utilities	51,595	51,926	(331)
Supplies & Equipment	17,200	12,695	4,505
Communication & Postage	12,200	6,978	5,222
Travel & Per Diem	900	682	218
Consultants Fees & Expenses	12,000	10,418	1,582
Contractual Expenses	26,926	16,165	10,761
TOTAL	$332,479	$300,136	32,343

CENTER FOR INTERNATIONAL PRIVATE ENTERPRISE ANNUAL REPORT NOVEMBER 1, 1984

MESSAGE FROM THE CHAIRMAN

I accepted the invitation of United States Chamber of Commerce President, Richard Lesher, to chair the Center for International Private Enterprise's Executive Council with a great deal of excitement. This initiative evolved from President Reagan's historic Westminster speech of 1982. Strong bipartisan support emerged for the proposal through the Congressional leadership of Representative Dante Fascell and Senator Charles Percy and provided a national mandate for the President's vision of private sector initiatives.

I would be remiss not to mention the contributions made by other Members of the House and Senate as the National Endowment for Democracy completes its first year of operations. In particular, Senators Orrin Hatch, Arlen Specter and Christopher Dodd along with Representatives Neal Smith, George O'Brien, and Ben Gilman have worked to ensure that the Endowment and the Center for International Private Enterprise will continue to serve the national interest in meeting the needs of the supporters of freedom around the world.

I am proud to submit this Annual Report of the Center for International Private Enterprise. Our first year has demonstrated that the private sector is fulfilling the vision that President Reagan presented to the world.

Edward Donley
Chairman

EXECUTIVE DIRECTOR'S REPORT

I have long advocated a more active role for the private sector in encouraging democratic institutions abroad and am pleased to report that the Center for International Private Enterprise (CIPE) had a successful first year.

The Executive Council and CIPE's staff began developing programs knowing that, our work for the most part, is a long-term process. Developing institutions takes time, and the initial programs were designed as the foundation for future year activities. Accordingly, CIPE funded programs that:

- Advocate open market, private enterprise systems.
- Serve as models for replication in other countries.
- Build a network of key resource people for program expansion.
- Generate multiplier effects through private enterprise education and communication programs.

In addition, CIPE staff began the process of strengthening international business organizations and encouraging such bodies to adopt complementary programs.

The reaction has been encouraging. Chambers of Commerce and other business associations abroad have embraced the CIPE concept with enthusiasm. CIPE is emerging as a focal point for private enterprise solutions to public policy issues.

This report presents the results of CIPE's first year programs. However, the most significant accomplishment is the positive message that we support people and institutions abroad sharing our appreciation of the principles of private enterprise and democratic pluralism.

Michael A. Samuels
Executive Director

BACKGROUND

The Center for International Private Enterprise (CIPE) was established in June 1983 as part of the National Chamber Foundation, an affiliate of the United States Chamber of Commerce.

The Chamber's decision to create CIPE was part of a national bipartisan effort to design a private sector program to support democratic development. The decision was not made lightly. Michael A. Samuels, the Chamber's Vice President, International, served on the study group that recommended creation of the National Endowment for Democracy (NED) to the President and Congress. CIPE was established to coordinate the involvement of American business.

The National Chamber Foundation (NCF) was chosen as the site for CIPE in recognition of NCF's long history of public policy advocacy and proven ability to integrate diverse elements of the business community into cohesive structures. Since its formation in 1967, NCF has engaged in a broad array of activities to support policies important to business ranging from a national transportation policy to the recently completed strategy for Hispanic business development.

NCF also offered the advantage of immediate access to the U.S. Chamber network. The Chamber's membership includes more than 180,000 companies, 52 American Chambers of Commerce abroad, and several thousand other organizations such as local and state chambers of commerce and trade and professional associations.

An Executive Council, composed of representatives of major U.S. private business organizations, corporations, small businesses, chambers of commerce, academic institutions, foundations, and other international business experts, assists in the development of CIPE's programs. The list of Executive Council members is on page 28. The Executive Council draws its authority from NCF's Board of Directors and is the coordinating body for American business participation.

The U.S. Chamber's ongoing programs and staff resources also provide important assets to CIPE. For example, the Institutes for Organization Management run by the Chamber are the training ground for local chamber and trade association executives. Currently in its 64th year of operation, the Institute is the longest running continuing adult education program in the country. During the first year of operation, CIPE sponsored the attendance of 26 foreign association executives at Institute programs.

The Chamber's pioneering efforts in communications provide another resource for CIPE's assistance to business organizations abroad. The BizNet closed-circuit network is capable of reaching into virtually every community in the United States as well as most major world cities. Since its beginning in 1981, BizNet has produced 88 videoconferences. The closed-circuit network can be tailored to achieve the specific needs of any program. The expertise in state-of-the-art business communications will be made available to foreign business associations through CIPE in future years.

Statement of Objectives

CIPE's overall goals are to:

Foster the development of open market, private enterprise systems and encourage the growth of independent business institutions as a means of encouraging the development of democratic pluralism abroad.

Both goals are essential. Democratic societies are best sustained by open market, private enterprise systems. Dynamic and independent business organizations are needed to support them. These key institutions should participate in the policy process and can have a positive influence on central governments.

CIPE will accomplish its goals by pursuing a number of discrete objectives in individual countries and through international organizations. These objectives, as adopted by CIPE's Executive Council, are:

* Assist business communities abroad to strengthen their organizational capabilities.

* Develop leadership training for association executives and their voluntary leadership to strengthen business institutions abroad.

* Encourage development of active business participation in democratic political processes.

* Develop communication programs and educational materials for youths, employees, women's groups, academics, government officials, political leaders, and other audiences to encourage entrepreneurship and support for private enterprise as essential elements of democratic societies.

* Encourage local chambers of commerce in the United States to develop international exchange programs.

* Support efforts to increase the effectiveness of international business organizations.

- Create networks of business leaders and institutions across national boundaries to strengthen the international private enterprise system.
- Establish an international research clearinghouse on the programs and effectiveness of business organizations and the concept of democratic pluralism.

These objectives will require a long-term effort and a variety of program approaches. In pursuing them, CIPE will adhere to the following operating guidelines:

- CIPE will fund and conduct programs of broad benefit to business communities and nations.
- CIPE will not fund or operate programs that give any firm or industry a competitive advantage in any country.
- CIPE will engage in training programs designed to support business involvement in the legislative and political processes but will not fund or otherwise support candidates or campaigns for political office.
- CIPE will fund or otherwise provide support for American organizations in their efforts to assist counterpart business organizations abroad but will not provide support for establishment of new American groups to implement CIPE programs:
- CIPE will generally request that organizations receiving funds provide matching funds from their own sources or from other grant-making bodies.
- CIPE will give priority to funding organizations that have the potential to develop self-sustaining programs within a reasonable period.
- CIPE will encourage development of programs that can become models or building blocks for future efforts.
- CIPE will give priority to programs and projects that contain an explicit advocacy component.
- CIPE will provide funds and support for foreign private sector organizations but will not fund governments or governmental organizations.
- CIPE will not support programs that have been or could be funded normally by existing public sources.

The next section of the report provides additional information on the types of activities that will be pursued under each objective in the context of demonstrating the relationship between CIPE's objectives and the legislative mandate provided to NED.

RELATIONSHIP TO NED LEGISLATIVE PURPOSES

CIPE's objectives were drawn directly from the language in the National Endowment for Democracy Act [P.L. 98-164, Section 502(a)]. The Act emphasizes the importance of strengthening democratic institutions, including business institutions, in order to encourage the evolution of pluralistic societies. The general methods described in the NED Act include sponsoring training programs, promoting exchanges, and strengthening democratic electoral processes.

CIPE's first objective is directed at the need to help strengthen the sense of community among business sectors abroad. Many systems are oligarchic in nature, and small-business owners or aspiring entrepreneurs have a different role from the larger firms operating in the nation. Further, many countries with relatively more open market systems still do not effectively integrate smaller firms or firms operating outside of the major cities into the business community. In both cases, broad participation in the political process is frustrated. Increased integration of business owners, especially the smaller firms, is needed.

CIPE's second objective is leadership training. Better leadership is needed to improve the effectiveness of business institutions abroad. Management of voluntary business associations requires a unique set of skills, including motivation of volunteers, effective management of committees, long-range planning, membership development, policy formation, and community relations. These skills are often missing or in short supply in nations lacking a democratic tradition. Strengthening the effectiveness of the voluntary business institutions will assist in developing a leadership group skilled in democratic processes and techniques.

The third objective, encouraging business participation in political processes, is a direct mandate from the NED Act. Political participation, however, must be seen in terms of the entire policy formation process including legislative action, public policy debate, executive branch relations, the election process, and other facets of democratic life. Most business organizations, including some in the existing democracies, tend to avoid the political process. Rather, individual business owners tend to make their arrangements with political and governmental officials on a one-to-one basis. In nondemocratic nations, the opportunities for participation are limited. CIPE can best fulfill the NED mandate by avoiding direct involvement in overseas political processes. CIPE's role is limited to responding to requests for assistance.

The fourth objective, developing communication programs and educational materials is basic. CIPE cannot assist those in other societies who share our values unless we communicate effectively. Some business communities abroad already support educational improvements and routinely engage in a variety of communication efforts. Key factors are communications training and developing educational materials.

The fifth objective is to encourage local chambers of commerce in the United States to develop international twinning programs. Institutional leaders in the business, labor, cooperative, academic or other private sector areas can have a great impact on their counterparts abroad. The role of local chambers in this context is to carry the message that business organizations have a responsibility to their members, their communities, and their countries. The message will be delivered by example, not by lecture, in the context of exchanging ideas about the most effective techniques for organization management and development.

The sixth objective, increasing the effectiveness of international business organizations, can have immediate benefits. Two organizations have indicated substantial interest in CIPE. These are the International Organization of Employers (IOE) and the International Chamber of Commerce (ICC). Both have membership bases in the industrialized world and in developing countries. Other regional and international groups will cooperate.

CIPE's seventh objective, creating networks of business leaders, is directly related to the goal of strengthening the international private enterprise system and building a network of organizations committed to the principles of democratic pluralism.

Currently, there is wide gulf between the leadership of business groups even in neighboring countries. In Latin America, business organizations are more likely to be in touch with those in the United States than they are with their counterparts in the region. Network building is important to communications efforts. In much of the developing world, the statist and communist opinion leaders hold sway simply because advocates of a democratic alternative are not aware of the support available in their own countries or within the region. CIPE's efforts will serve to put individuals sharing our values in touch with each other and, thereby, create a viable platform for business advocacy.

The final objective, sponsoring an international research clearinghouse, will play a major role in supporting the entire range of activities described previously. Although there is a great deal of information available in the United States and elsewhere on various aspects of the role of business in democratic development, few of these materials are disseminated in a coherent fashion. Additionally, a great deal of research work needs to be done on the status, organizational capability, and specific needs of business organizations. CIPE will collect and analyze information about public attitudes and business leaders' views toward private enterprise, pluralism, democratic development, and other topics related to CIPE's goals and objectives.

PROJECT ACTIVITIES AND RESULTS

Project Development

The Center for International Private Enterprise (CIPE) received 45 project proposals requesting more than $7 million during FY 1984. Additional proposals are being prepared by other institutions.

Some proposals evolved from contacts between CIPE staff and specific organizations. Others were submitted in response to CIPE's information brochure and Proposal Guidelines and Selection Criteria. The Proposal Guidelines were designed to provide potential applicants with a detailed description of the CIPE program, specific information on proposal content and format, and an explanation of the criteria used to evaluate proposals.

At the end of September 1984, 83.5 percent of CIPE's program budget had been assigned to specific projects. At that time, proposals that would use the remaining 16.5 percent of the program budget were being reviewed. It is expected that these funds will be assigned by December 31, 1984, the end of CIPE's program cycle.

An unexpected bonus from the project development process has been CIPE's ability to introduce organizations with similar interests. For example, through CIPE, a grantee, the Instituto Libertad y Democracia met the Equity Policy Center. The opportunity to share experiences and results was stimulating for individuals in both organizations, and the now-established linkage should increase their effectiveness.

The Grant Process

The grant process is central to CIPE's operation. In this first year of program activity, systems for proposal review, project monitoring, and grant evaluation were developed.

CIPE staff and expert consultants review program proposals using the rigorous criteria enumerated in the Proposal Guidelines and Criteria. Proposals are also considered in light of general program priorities and regional strategies developed by CIPE's regional directors. The Grants Administrator and Program Coordinator oversee the review process with the Executive Director and regional program directors. CIPE's Program Committee reviews the final staff evaluation and recommendations.

Provisions for monitoring the progress of grant activities are built into the project budget and the terms of individual grant agreements. These provisions include regular progress reports, any special reports needed for specific projects, and staff site visits when necessary.

Final evaluation by CIPE staff is based on the grantee's final report, as well as financial and progress reports, on-site evaluations, and third party audits, required of all recipients of major CIPE grants. Final reports, and in some instances case studies, describing any special features, achievements, and/or problems encountered in implementation will be kept on file and available for future reference.

Resource Identification

CIPE has given priority during FY 1984 to the identification of the various material, human, and organizational resources already available. The material side of this task has been addressed principally through the CIPE Clearinghouse/Research program; the human and organizational aspects have been addressed through staff contact with U.S., foreign, and international bodies.

Coordination with Other Funding Agencies

Part of the evaluation process is coordinating with other funding agencies. The U.S. Agency for International Development, the U.S. Information Agency, the Department of State, the Small Business Administration, the International Chamber of Commerce, the German political foundations, and many other organizations support programs that are parallel or complementary to those of CIPE. CIPE does not want to duplicate work being performed by other institutions and its staff actively seeks to enhance its activities through coordinated program development to the greatest extent possible.

Project Activities and Results

The 14 projects supported by CIPE during FY 1984 are listed below:

1. Title: U.S. Chamber of Commerce Center for Leadership Development

A) Project: Institutes for Organization Management.

Private, voluntary business institutions have little political and economic impact unless they are effective organizations. CIPE funded an Institute for Organization Management program during the summer of 1984. The Institutes are based on a program that has been run for 64 years by the U.S. Chamber's Center for Leadership Development (CLD) for American state and local chambers and associations. The CIPE-funded program builds on the one-week CLD program of intensive course work at a major university campus, and is taught by a mix of prominent university faculty and business executives. Special discussion sessions were scheduled for this part of the program during which participants could discuss the adaptability of new concepts to their home environments. In addition to the course work, CIPE-funded participants were brought to Washington for a week-long program of visits to local business organizations, discussions with the Small Business Administration, and briefings on communications, public relations, political action programs, and public policy development.

Result: The NED grant made it possible to provide scholarships to cover transportation and tuition costs for 26 participants from developing countries. Two additional participants attended the program at their organizations' expense. Participants and their organizational affiliations are listed below:

Rezaul Karim Khan
Metropolitan Chamber of Commerce
and Industry -- Dacca, Bangladesh

Mohammed J.U. Chowdury
Chittagong Chamber of Commerce
and Industry--Chittagong,
Bangladesh

Mohammed Fazlur Rahman Bhuiyan
Federation of Bangladesh Chambers
of Commerce and Industry

Arni Walters
Barbados Employers Confederation

Leonard Ferris
Costa Rica Chamber of Commerce

Dr. Josefina A. Espaillat N.
Asociacion Interamericana de Hombres
de Empresa, Inc.

Ismail Osman
Arab Contractors Co.
Egypt

Dimitrios L. Hadjimichalis
Athens Chamber of Commerce

Jennifer A. Killam
Grenada Chamber of Commerce and
Industry

Venkat Rao
Federation of Andhra Pradesh
Chambers of Commerce and
Industry--India

B. R. Sabade
Mahratta Chamber of Commerce
and Industries

Harish Tandon
Indo-American Chamber of Commerce
North India Council

Wesley B. Van Riel
Jamaica Manufacturers Association

Hubert Ratsiandavana
Federation of Chambers of
Commerce and Industry --
Madagascar

Anthony Borg-Cardona
Chamber of Commerce--Malta

Harihar Subedi
Federation of Nepalese Chambers
of Commerce and Industry

Abdul Subhan
Federation of Pakistan Chamber
of Commerce and Industry

Xian Heng
All-China Federation of Commerce
and Industry (PRC)

Quintin Salas Doromal
Philippine Chamber of Commerce
and Industry

Richard Skerrit
St. Kitts-St. Nevis Chamber of
Commerce and Industry

Tan Peng Boo
Singapore National Employers
Federation

Pedro Bugallal
Confedercion Espagnole des
Organizaciones
Empresariales

Josep Trias Sayols
Fomento de Trabajo Nacional (Spain)

Pairote Gesmankit
Association of Thai Industries

Carmena Baird
Trinidad & Tobago Chamber of
Industry and Commerce

Betty Russell
Caribbean Association of Industry
and Commerce

Other participants were:

Campos De Moya
Gulf & Western Corporation
Dominican Republic

Sonia Reyes Noyola
Honduran-American Chamber of
Commerce

As anticipated, the program generated follow-on programs by the participants' organizations. To date, nearly 30 percent of the participants have submitted or indicated their intention to submit proposals.

Mr. De Moya of the Dominican Republic, who attended the program as an interested and active member of his local business community, has formed an independent organization to represent business interests in the city of La Romana, Dominican Republic. Previously, only the official government chamber of commerce existed in that area. The new organization will be involved in the CIPE-funded program in the Dominican Republic managed by the Greater Newark Chamber of Commerce.

During the first year in which foreign participants were involved in the Institute program, they were asked to suggest improvements. Their comments will be the basis for adjustments to future programs.

B) Project: Translation of Monographs on Management

There is little teaching material on modern management practices for private, voluntary organizations outside the English language. In order to build a library of such materials and make them available for broad distribution, translations of a number of basic monographs are in process. These monographs will be used in courses to be taught in Latin America and Spain.

Result: The monographs are near completion and a number of individuals from business organizations in Latin America and Spain have requested them for education programs.

C) Project: Software Development for Small-Business Organization Management

Many small-business organizations (membership less than 500) can increase productivity and effectiveness by using small computers. However, user friendly software does not exist for this purpose. CLD is developing a package in Spanish, to be used in a pilot project in Latin America. If this project is successful, the software will be translated into other languages.

Result: Software development is under way and is expected to be completed around December 31, 1984. Preliminary contacts have been made with several computer manufacturers to arrange for donated hardware for the pilot project.

2. Title: Management and Technical Assistance

Project: In many developing countries, a sense of common interest in a business community has not yet developed. Larger businesses tend to be active in business associations, but the small-business sector tends not to be involved. A program to foster the growth of a comprehensive business community and related institutions is needed.

Specific management and technical assistance projects will be developed with the participants at summer institutes, and with other business organizations in the developing world. Examples of the types of projects to be implemented under FY 1984 funding include assistance to business groups in the following areas:

- Membership relations -- organizing the large and small business sectors.

- Policy analysis -- economic analysis of business-labor relations, regulatory or legal reform, productivity, and the like.

- Business-government relations -- assistance in improving the communication between business and elected officials.

- Public Affairs programs -- assistance in developing civic action, community relations, community development, and other programs related to business in society.

Result: By the end of the fiscal year, one grant had been made to the International Organization of Employers to cover costs of a meeting of representatives of employers' organizations of Central America and the Dominican Republic. The grant will enable the group to discuss the objectives of employers organizations and draft a program of work.

A number of other proposals had preliminary approval.

3. Title: Clearinghouse Research

Project: Little is known about the status of voluntary business associations, their needs, and their contributions to fostering democratic development and economic growth. Additionally, information about the role of private enterprise, especially small business, in generating long-term growth and new job formation in developing countries should be collated and made available on a more systematic basis.

CIPE-sponsored regional surveys are designed to assess the status of the business communities and the network of private business organizations (chambers of commerce, trade associations, research organizations, etc.) in select countries in each region. Additionally, CIPE staff will begin a process of collecting, analyzing, and eventually publishing information on voluntary business organizations, the open market concept, the relationship of private enterprise to democracy, and related topics. The following list represents some Clearinghouse operations:

- A data base on voluntary business organizations;
- Research studies are being collected and annotated on state-of-the art democratic development and development of open market systems;
- Public opinion polls and studies related to attitudes toward business are being collected and compiled to track attitudinal trends on subjects such as the role of business in society, the international economic system, and business-government relations;
- Program descriptions and case studies are being compiled on programs run by CIPE, international organizations, business federations in OECD countries, and in the Third World to serve as a means of exchanging success stories, motivating increased efforts, and developing new program approaches.

Result: The first regional survey covered key countries in East and Southeast Asia and was near completion at the end of the fiscal year. Contracts are in process for the surveys of Central America, the Caribbean, and South America; preliminary negotiations are proceeding for surveys of Africa and the Middle East. In addition, lists of member organizations of the International Chamber of Commerce and the International Organization of Employers have been added to the CIPE data base.

4. Title: Club D'Afrique Colloquium on Private Initiative in Africa

Project: Despite growing interest in Africa about the role the private sector can play in economic development, many countries in Africa have been pursuing economic policies indicating little understanding of the private enterprise system. In order to examine the constraints to entrepreneurship in African countries and discuss ways to overcome them, the Club d'Afrique, based in Lome, Togo, proposed a pan-African colloquium in which these issues can be addressed.

The objectives of the program are to:

- support the exchange of information on the private sector role on a pan-African level;
- promote private sector involvement in matters of economic development;
- provide a forum for the development of private sector approaches to economic policy issues;
- create an expanded body of individuals and ideas consistent with CIPE's program goals.

Result: The colloquium will take place November 5-8, 1984, in Lome, Togo. To date, CIPE has taken an active role in the development of the conference program, the formulation of a list of participants, and coordination with other funding sources of the conference, notably the World Bank. CIPE placed certain conditions on the awarding of the grant in order to ensure responsible administration of the conference and proper levels of financial control. A program consultant spent one week in Togo in September, working through details of program content and structure. CIPE will publish the proceedings of the conference on behalf of the Club d'Afrique.

5. Title: EMPRESA

Project: The EMPRESA (Enterprise) program was developed by the U.S. Chamber, together with the Association of American Chambers of Commerce in Latin America (AACCLA), and the Fund for Multinational Management Education. The program provides an introduction to the private enterprise system for Spanish-speaking individuals.

To date, EMPRESA has been used in employee programs and in adult community education programs. This project expands this effort by supporting the introduction of the material to schools in Latin America, working through appropriate local business groups in cooperation with the American chambers in Latin America.

The objectives of the program are to:

- provide students with an introduction to business and economics;
- enlarge the participation of local business people in the education process;
- stimulate increased entrepreneurship through appreciation for the role of business in a democratic society.

Result: As a result of participation in the Institute program, the Costa Rica Chamber of Commerce has put forth a proposal to implement EMPRESA in that country through 14 regional chambers of commerce. Further details on the administration and budget of the project are required before a grant agreement is executed.

Preliminary discussions have taken place with COPARMEX, the leading independent business association in Mexico, on implementation of the program. EMPRESA programs also have been placed in a number of other countries, including Colombia and Chile, for evaluation and program development.

6. Title: Wingspread Conferences

Project: In order to explore the role of business in democratic development, CIPE will sponsor a series of conferences in cooperation with the Johnson Foundation/Wingspread Conference Center.
The Wingspread Conferences will be attended by a cross section of Americans from the business, academic, and political communities and representatives from Europe, Latin America, Asia, and Africa. CIPE will publish the conference results and distribute the findings widely. The meetings would be used to explore important topics in the international business arena, from the perspective of both the industrial world and the developing world. Particular attention will be paid to the process, opportunities, and constraints on the involvement of business in support of democratic political processes.

Result: Preliminary discussions have taken place with representatives of the Johnson Foundation, and the themes of the sessions have been explored. Draft agendas have been developed for a domestic and an international conference.

7. Title: International Organization Coordination

Project: Cooperative relationships with international business organizations are a CIPE priority. They provide a forum for meetings of business organizations' representatives. This also provides an opportunity for business organizations to be involved in issues resolution at a multinational level, and another avenue for cooperative efforts with members in developing countries.

The purpose of this program is to develop contacts with various international organizations actively involved in developing country programs and to develop joint programs to provide training and exchange programs to business organizations.

Result: Under this program, CIPE staff members have participated in meetings and met with officials of the following organizations:

- Caribbean Employers Confederation
- International Organization of Employers
- International Chamber of Commerce
- International Labor Office
- International Bureau of Chambers of Commerce
- Curacao Chamber of Commerce
- Caribbean Association of Industry and Commerce
- Konrad Adenauer Stiftung
- Freidrich Naumann Stiftung
- Freidrich Ebert Stiftung
- Conseil National du Patronat Francais

Consequently, CIPE established extensive contacts with national organizations, the result of which has been a number of proposals and increased coordination with organizations active in programs similar to CIPE's.

Several of the meetings were attended by CIPE Executive Council members, whose organizatons or companies supported the costs of their participation.

8. Title: The Informal Sector in Peru -- Integration and Deregulation

Project: The Instituto Libertad y Democracia (ILD) has carried out extensive research on the informal sector in Peru. The major conclusion drawn is that a large part of the Peruvian economy operates outside the legal framework, not because of a desire to avoid the law, but because access to the economic system is blocked by layers of regulations. The ILD has entered into an agreement with the Peruvian government to carry out additional research and to write a new legislative framework for economic activity in Peru that will afford freedom of access to a fair legal system that will not discriminate against those who have had to resort to the informal sector.

The CIPE grant will support the efforts of the ILD to carry out further research and to present its recommendations for policy reform to the national, state, and municipal levels of government in Peru.

Anticipated Result: It is expected that the efforts of the ILD will result in significant deregulation in Peru, and the recognition of the informal sector as a legitimate and vital part of economic life.

The National Endowment for Democracy approved the program on September 14, 1984; the grant will be effective as of November 1, 1984.

9. Title: Development, Growth and the Private Sector in Latin America: A New Approach

Project: The Fund for Multinational Management Education (FMME) will conduct a workshop in Mexico City to bring together individuals seeking ways in which the private sector can become an active participant in the political processes of policy formulation. The program will draw heavily on the research of the Instituto Libertad y Democracia in Peru and will look at the informal sector as a vehicle for policy change.

Anticipated Result: It is expected that this project will explore in depth the ways in which business organizations can become active players in the policy process, and will establish the base of a network of key individuals and organizations committed to the expansion of the private enterprise system.

The National Endowment for Democracy approved the program on September 14, 1984; the grant will be effective as of October 1984.

10. Title: Academic and Intellectual Defense of the Role of Free Enterprise in Mexico

Project: The Centro de Estudios en Economia y Educacion (CEEE) will establish four new programs under this grant:

- improve media appreciation of the market process and the costs of government intervention by conducting a series of seminars for journalists;
- enhance public support for free market policies by providing editorials about current economic issues to the nations's 25 leading newspapers;
- support the publication of the works of scholars and authors who share and defend the principles of a market economy;
- improve CEEE research and publishing capabilities.

Anticipated Result: This program should result in a series of conferences for Mexican journalists on the private enterprise system, the publication of editorials about the advantages of private enterprise in major Mexican newspapers, and the acquisition and dissemination of materials supportive of democratic systems and free market economic policies.

The National Endowment for Democracy approved the program on September 14, 1984; the grant will be effective as of November 1984.

11. Title: Private Enterprise and the Spanish Education System in the Year 2000

Project: Since the end of the Franco Era, little has been done to reform the Spanish education system and the way in which private enterprise is presented in schools. The Instituto de Estudios Economicos (IEE) will carry out research to analyze the current status of the Spanish education system. Needed reforms will be outlined and used by the business community to develop a balanced educational system in which private enterprise is seen as a positive and essential force for growth and development.

Anticipated Result: The objective of this program is to undertake a comprehensive study of the present education system in Spain and formulate recommendations for its reform.

The National Endowment for Democracy approved the program on September 14, 1984; the grant will be effective as of November 1984.

12. Title: Private Enterprise and University Curriculum Development: Part I -- Latin America and the Caribbean

Project: This feasibility study will be the first step in a larger, global program of defining developing country attitudes toward private enterprise. Subsequently, curriculum to support private enterprise will be designed.

Anticipated Result: Materials on the status of education systems in Latin America are being assembled, and preliminary discussions have taken place with the Foundation Francisco Marroquin and other organizations to negotiate their participation in the study.

The National Endowment for Democracy approved the program on September 14, 1984; the grant will become active upon conclusion of negotiations with potential survey organizations.

13. Title: Small Chamber Outreach Program in the Dominican Republic

Project: The Greater Newark Chamber of Commerce is "twinned" to the chambers of the Dominican Republic. Based on this ongoing relationship, a program has been developed to assist the chambers of commerce outside the two major cities of the Dominican Republic to strengthen their organizational capabilities, emphasize the relationship between business associations and political development, develop chamber training programs, and establish an exchange program between the Newark chamber and the Dominican chambers.

Anticipated Result: It is expected that the program will impact on the management capability of the organizations involved, and that the Dominican chambers of commerce will become more active in policy matters in their communities. At the time of this report, a coordinator for the Dominican part of the program has been hired, and programs are being completed.

14. Title: Research and Publication Dissemination

Project: Support for private enterprise and its role in democratic societies cannot develop in a vacuum. This program was designed to create and distribute publications supporting private enterprise and its institutions. A newsletter containing information about CIPE activities and programs, reports on research findings and methodology relating to private enterprise development, business advocacy, and information on publications relating to private enterprise development will be published. The project also provides for initial work on a quarterly journal, the first issue of which is anticipated for 1986.

Anticipated Result: Research has been done to establish costs involved in the publication of the newsletter and to identify sources of material for inclusion. Other materials are being identified and translated for dissemination. A network of institutions around the world interested in the dissemination of material supportive of the private enterprise system will be established.

FINANCIAL REPORT

SUMMARY OF FY 1984 NED GRANT FUNDS

Program	$1,367,521
Administrative	332,479
TOTAL	$1,700,000

PROGRAM FUNDS

	Allocation
1) Institutes for Organization Management	$ 206,000
2) Management & Technical Assistance	221,000
3) Clearinghouse	196,800
4) Club d'Afrique	110,000
5) Empresa	50,500
6) Wingspread	82,600
7) International Organization Coordination	11,900
8) Instituto Libertad y Democracia	120,000
9) Fund for Multinational Management Education	110,000
10) Centro de Estudios en Economia y Educacion	33,000
11) Instituto de Estudios Economicos	52,500
12) Private Enterprise & University Curriculum Development	30,500
13) Greater Newark Chamber of Commerce Twinning Program	110,460
14) Research & Publication Dissemination	32,261
TOTAL PROGRAM FUNDS	$1,367,521

ADMINISTRATIVE FUNDS

Salaries & Benefits	$211,658
Space & Utilities	51,595
Supplies & Equipment	17,200
Communication & Postage	12,200
Travel & Per Diem	900
Consultants Fees & Expenses	12,000
Contractual Expenses	26,926
TOTAL	$332,479

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PREPARED STATEMENT OF JOHN RICHARDSON

CHAIRMAN

SOCIETY OF INTERNATIONAL BROADCASTERS

April 5, 1985

The Honorable Paul Laxalt, Chairman
Senate Appropriations Subcommittee for State,
Justice, Commerce, Judiciary and Other
Related Agencies
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

On behalf of the Society of International Broadcasters, I respectfully request the Senate Appropriations Subcommittee for State, Justice, Commerce, Judiciary and Other Related Agencies to support the utilization of Radio Free Europe/Radio Liberty funds arising from the relatively high value of the U.S. dollar in Fiscal Year 1985 for the benefit of pre-1976 RFE/RL retirees and their widows.

In 1983, the Congress approved the utilization of $4,900,000 in funds (generated by the increased value at that time of the dollar over various Western currencies) to deal with two discrepancies between the retirement benefits for Radio Free Europe/Radio Liberty retirees before and after 1976. The funds were used (1) to eliminate prospectively the Social Security offset applying to pre-1976 RFE/RL retirees and (2) to make pension benefits available to widows of employees deceased before 1976.

This welcome action significantly reduced an inequitable and damaging situation, but still left unremedied a significant injustice to people who loyally and effectively served the U.S. Government. We now ask that the remaining inequity be eliminated utilizing funds being generated in Fiscal Year 1985 from the current increased value of the dollar over other Western currencies.

Specifically, we propose

(1) upgrading the pension benefits of pre-1976 RFE/RL retirees and widows to a reasonable level: still less than that available to post-1976 retirees but greater than the present meager amounts and

(2) refunding the moneys withheld from pre-1976 retiree pensions on account of Social Security offsets and not refundable under the 1983 legislation.

We propose that a final determination of these amounts be deferred to the latest possible time in this fiscal year when the balance in the RFE/RL escrow account can be ascertained and utilized for these purposes. Agreement would be sought from RFE/RL, the Board for International Broadcasters and the relevant Committees of the Congress.

My concern for this small group of extraordinarily deserving individuals arises from my service as President of Free Europe, Inc., the parent organization of Radio Free Europe, from 1961 to 1968. After that I was Assistant Secretary of State for Educational and Cultural Affairs, 1969-1977 and, since 1978, have been President of Youth for Understanding, Inc.

We would welcome an opportunity to discuss this proposal with your staff and to supply additional information, if needed.

Respectfully,

John Richardson
Chairman

PREPARED STATEMENT OF HAROLD W. WILLIAMS

PRESIDENT

INDUSTRIAL POLICY COUNCIL

Mr. Chairman, I represent the Industrial Policy Council, an organization that has been established to study and support policies and programs that will keep the nation's industries strong and competitive. While the Industrial Policy Council has broad interests in programs of many types that will enhance our country's industrial productivity, our concern with this subcommittee at this time is the Fiscal Year 1986 appropriation for trade adjustment assistance for firms and industries. This program is administered by the International Trade Administration of the Department of

Commerce. The Administration has not included funds for this program in its 1986 budget request. We ask instead that the program be frozen at its present level of $25 million, in accordance with the general consensus for a budget freeze.

By comparison with most other programs with which your subcommittee must deal, trade adjustment assistance (TAA) for firms and industries is small and likely to be overlooked. Many people think of TAA only in terms of the program for workers, and they are apt to forget that there is also a program to help firms and industries meet the competition of imports and adjust to the new conditions they must face as a consequence of the expansion of trade. My purpose here today is to remind you that there is as a program that helps firms and industries adjust. The program is working. It is successful. And it returns far more tax dollars to the U. S. Treasury than it costs. Even more significantly, it enables us to withstand pressures for protectionism that could explode into an all-out international global trade war.

Trade adjustment assistance owes its conception to the proposition that since the nation as a whole benefits from opening our borders to foreign products, the nation as a whole must help pay for the adjustment of those who not only do not benefit from open borders, but who actually are harmed by the competition of foreign goods in domestic markets. As far back as 1962, the trade adjustment assistance program was established as a quid pro quo to gain support for the Kennedy Round of tariff reductions.

Since that time, our nation and the world as whole have benefited greatly from the expansion of world trade made possible by the agreements that were then reached and by subsequent rounds of trade negotiations. But we would never have had those benefits had we not embraced the concept of trade adjustment assistance. If we now abandon that concept and follow the Reagan Administration recommendations, we will be leaving ourselves and the world open to renewed protectionism and the loss of the benefits that free trade has brought to us and the world.

I am aware that there are some who question the value of trade adjustment assistance in ameliorating the pressures for increased protectionism. They say that we now have trade adjustment assistance, and we still are facing increased protectionist pressures every day. Our answer to that argument is that it is a matter of degree. If we had perfect trade adjustment assistance we would have no protectionist pressure. To the extent that our existing trade adjustment assistance programs are imperfect, we continue to hear petitions for border relief, and these are partially successful. But in the main we have been able to keep our borders relatively open to imports. If we do away with our existing programs we can expect a corresponding success for measures that will close our borders to foreign goods.

If I were a legislator who believed in free trade and wanted to vote for free trade, I would feel a lot more comfortable having voted for trade adjustment assistance. At least then I could face my constituents and say that while I voted for what would best benefit the nation as a whole, I also voted for what would help those who had not been able to adjust on their own to the competition from overseas.

Let us do what is right for the many, but let us not neglect what is needed by the few as a result of our help for the many.

The Administration argues that trade adjustment assistance for firms and industries ought to be terminated because it has been ineffective. In the past the Office of Management and Budget (OMB) has used the argument that many of the trade adjustment assistance loans are in default as proof that the businesses have not been helped. More recently, OMB is claiming that technical assistance that implements an adjustment plan goes to relatively few firms, and is thereby excessively expensive. It appears that OMB is more interested in finding a justification for a position that has already been fixed than they are in understanding the program.

First, one should know that the poor loan default record for trade adjustment assistance goes back to loans that were made many years ago under policies that have long since been abandoned. Relatively few loans are made today, and these have been more successful, but they account for only a small part of the program's impact.

The major impact of the trade adjustment assistance program today stems from two key aspects of the program---the trade adjustment assistance centers and the grants for industry adjustment programs.

Trade adjustment assistance centers are somewhat unique. Although they are funded largely by trade adjustment assistance funds, they are not instrumentalities of the Federal Government. Some are operated by universities. Others are operated by independent non-profit organizations. At least one is operated by a State government. There are thirteen of these organizations spotted around the country in strategic locations based upon geography as well as upon concentrations of trade-impacted forms. They provide information to firms about their eligibility for TAA, and once the firms are eligible they provide technical assistance, through their own staff resources, as well as through the resources of private consulting firms that have whatever special expertise is needed.

These trade adjustment assistance centers, or TAAC's as they are called, basically provide four kinds of technical assistance. First, they help firms with the red tape involved in getting certified. This is relatively inexpensive and provided at no charge. The firms pay at least 25 percent of all additional costs. Next they provide a diagnostic survey to help firms discover what their problems are and whether TAA help is appropriate. Many firms drop out after receiving the results of such a survey, largely because trade adjustment assistance is not appropriate. In many cases, their financial condition is so bad that there is no chance of getting financial aid. In other cases, the diagnostic survey points the way to other solutions such as merger, discontinuing certain lines, or changing management. It is important for all of us to recognize that the assistance provided by the diagnostic survey is valuable help, even if no further aid is provided.

The third step in the assistance provided by trade adjustment assistance centers is help in preparing the adjustment plan. This is a key part of technical assistance and perhaps the most important aspect of the entire TAA program for firms. At this stage the consultants and the firm look at the problem and jointly determine what needs to be changed to solve it. In many cases, the adjustment plan points to solutions that require no further help under the program. These solutions may involve refinancing of private loans or new loans from non-TAA sources; they may involve restructuring of the company or changes in product lines, all of which can be accomplished without further TAA help.

The final step is implementation technical assistance which may involve extensive consulting help involving market studies, engineering, product development, management studies and the like.

It is important to keep in mind that all of the technical assistance provided by the TAAC's, not just implementation assistance, helps firms adjust to foreign competition.

A second major area of accomplishment for the TAA program for firms and industries rests in the technical assistance grants which have gone to industry groups to help with an entire industry's research program. In the past you have heard testimony about the industry program as it related to the footwear industry, the apparel industry, the handbag industry, textile machinery.

A few months ago, the Administration proudly joined with representatives of the tailored clothing industry and the union that represents its workers to hail their accomplishments in developing new automated machinery that will help the men's clothing industry better withstand the pressure of imports. What the Administration did not say was that 50 percent of the cost of the research that enabled this achievement was paid for by TAA grants. So impressive were the achievements of this program that, under an initiative from the Senate Appropriations Committee, an additional $3,500,000 was earmarked for this program in the fiscal 1985 appropriation for the Department of Commerce.

TAA has helped a wide range of industries through its program of grants to industries that have been impacted by foreign competition. In addition to the ones mentioned above, grants have gone to luggage and leather goods manufacturers, the hand tool industry, sporting goods manufacturers, mushroom growers, hardwood dimension manufacturers, the iron castings society, the national machine tool builders association, the electronics association, and others.

These grants are significant in part because they involve industries in helping themselves to adjust to foreign competition as opposed to simply appealing to the Government for border relief. It is not that these industries do not ask for border relief as well, but that trade adjustment assistance is an alternative. We hope that eventually Congress will pass legislation that requires industries seeking border relief to prepare an adjustment plan as a condition of such relief. Legislation to that effect was introduced in the past Congress and will be introduced in this Congress. When it is passed, as it undoubtedly will some day, our experience with TAA grants to industries will provide a solid foundation for making such a requirement effective.

We are aware of an effort on the part of the Department of Commerce to discredit this program by attempting to prove that most of the firms that have entered this program have not been helped. It is true, of course, that many of the firms that are certified do not get help. This happens when they become aware of the fact that trade adjustment assistance requires efforts and expenditures on their part which they are either not able or willing to undertake. There are also a significant number of firms that become certified that cannot be helped because they are financially unable to continue or to qualify for financial assistance. But this should not be taken to mean that the program has not helped many firms.

Indeed it has. You have had direct testimony from many such firms in past years. This year we have asked many of the firms that have been helped to write to you directly to tell you how TAA has aided in their adjustment. No doubt you have already heard from some. I hope that you will be able to include their communications in the record.

The letters you are receiving from so many different types of firms that are located in so many different parts of the country testify to the fact that this program is working. It works, despite difficult conditions it faces as a result of the strong dollar and sometimes lukewarm management from its parents in the International Trade Administration. It could be even more effective with more dollars and stronger support from its administrators, but we are realistic enough to recognize that there is little chance for additional money in this period of concern for large budget deficits.

At a different time and in a different climate, perhaps the Congress might want to consider supporting an effective trade adjustment assistance program, for industries, firms, workers and communities with an ample budget supported by a surcharge on manufactured imports. If it is true that opening our borders to foreign goods keeps prices down in our markets and benefits consumers to the extent of hundreds of billions of dollars, then perhaps all the consumers who benefit might not mind paying an extra five percent or so to help the firms, workers and communities whose livelihoods have been injured by those same imports. A five percent import surcharge on manufactured imports would produce approximately $10 billion, more than enough to do a really first class job of helping workers, firms and industries adjust.

Perhaps we need to negotiate some kind of formula in GATT which permits imposition of an import surcharge whenever a country's currency increases in value to a point that becomes unmanageable or impossible to correct.

If I suggest an import surcharge in the name of free trade, it is only because we are rapidly approaching a situation that is intolerable. If politics is the art of the possible, then we need to look around and see what is possible.

It is not possible to keep our borders relatively free without taking care of those who are being harmed by the unceasing and increasing flow of foreign goods into the United States. It is not possible to pay for the kind of adjustment program that can really work under present budgetary limitations. What may be possible is to find a middle ground that will raise sufficient money for adjustment without affecting the deficit, while at the same time keeping our borders relatively free and compensating somewhat for the difficulties a strong dollar presents to businesses that must compete with foreign firms. A modest import surcharge on manufactured goods meets these tests, and I commend it to your consideration.

There is increasing support for adjustment assistance as a legitimate response to cries for increased protectionism. In his book, "The Policy Game", author Peter Navarro claims that protection costs the average American family about $1,000 more per year for the goods they buy. But he goes on to say that conservative free trade policies neglect the legitimate plight of those who are displaced by import competition.

Brookings Institution author Robert Z. Lawrence in his new book, "Can America Compete", argues for a trade policy that is more open, but he insists that along with that we need new improved structural adjustment programs for those who will be injured as a result. And only last month a lead editorial in the New York Times stated that those who understand the value of free trade have a political and moral duty to try spreading the pain more equitably. "Free trade", says the Times, "creates losers as well as winners."

If we intend to keep on winning, let's make sure that we continue to help our firms and industries become winners in the intense competitive situation in which they find themselves. For this subcommittee, that means nothing less than continued support for trade adjustment assistance for workers, firms and industries. We urge an appropriation for fiscal 1986 that is at least equal to that provided for the present fiscal year.

PREPARED STATEMENT OF RICHARD E. GUTTING, JR.
VICE PRESIDENT—GOVERNMENT RELATIONS
NATIONAL FISHERIES INSTITUTE

The National Fisheries Institute appreciates the opportunity to testify on the proposed FY 1986 fishery budget of the National Oceanic and Atmospheric Administration. We also appreciate the major efforts this Committee has made in the past to ensure that these programs receive the funds needed to manage and develop our nation's fishery resources.

The Institute is the largest and one of the oldest associations representing the U.S. fish and seafood industry. Our 1,300 members are involved in all facets of the industry, including harvesting, processing and marketing. We are concerned about the funding of NOAA's fishery programs because they are critical to the conservation and management of our country's fishery resources and the development of our industry.

GENERAL COMMENTS

The U.S. fishing industry contributes billions of dollars each year to our economy and provides hundreds of thousands of jobs. Our nation, however, still has vast fishery resources off its coasts which are being exploited by foreign fleets or left unused. Last year, these foreign fleets took home over a million metric tons of fish from our fisheries. Along with this fish went the tens of thousands of jobs associated with harvesting, processing, and marketing them. Our industry wants these to be American jobs. We want our fish to be made into American rather than foreign food products. To do this, NOAA needs to continue its investment in fishery science, management and development.

The President said that one of the reasons he issued his proclamation declaring an Exclusive Economic Zone (EEZ) off our Nation's coasts was to reinforce his Administration's "policy of promoting the United States fishing industry." Despite this rhetoric, NOAA continues to call for the wholesale dismantling of the National Marine Fisheries Service, the closing or crippling of its fishery laboratories, the termination of the National Sea Grant Program, the lay up of our nation's fishery research fleet and the suspension of all state and industry fishery development programs. For the most part, NOAA's budget proposals for Fiscal Year 1986 are the same as those rejected by Congress in the past. It should not be surprising that the Institute believes these proposals should be rejected once again.

There are no new proposals to promote the United States fishing industry in NOAA's 1986 budget. Instead, several million dollars of new budget cuts have been added to NOAA's hit list. On this list now are all the items added by Congress last year, the remainder of NOAA's fishery development efforts and millions of dollars in hidden reductions buried in the budget report as so-called "adjustments to base".

SPECIFIC COMMENTS

Fishery Science

NOAA offers several different proposals which would reduc or eliminate funding for a number of significant activities in the "Information Collection and Analysis" category. These activities involve biological studies, resource surveys, habitat investigations, studies of how oceanic conditions impact fishery resources and the collection and analysis of catch and effort information and other economic data concerning the fishing industry. Decreases totalling over $28 million, out of a current budget of about $82 million, are proposed.

NOAA's budget report says that these decreases would involve the closing of 5 of the 22 major fishery laboratories of NOAA. The Institute believes this report grossly understates the impact of NOAA's budget proposal. Funding for the laboratory in Milford, CT, for example, would be reduced from $1,930,000 to $500,000. Funding is also drastically reduced for the laboratories in Sandy Hook, New Jersey; Beaufort, North Carolina;

Auke Bay, Alaska; and the facility in Portland, Oregon. These laboratories and several other installations would receive only token funding to keep them technically "open". For all practical purposes, they would be put out of business. Indeed, only a handful of fishery laboratories would be able to conduct any real research under the proposed NOAA budget.

NOAA's budget report also says that only 15 percent of the agency's fishery scientists and research staff would be terminated as part of the proposed reduction in scientific work. What the report fails to say is that most of the remaining funds have been used to pay the costs of keeping buildings "open" and to cover salaries to minimize the employment impact. Scientists, however, cannot conduct research without research funds. Our analysis of the budget suggests that many more scientists and researchers would have to be fired to leave the remaining people with even minimum funding to continue the scientific work of the agency.

Even if the facility and employment figures in NOAA's budget report gave you the true picture, they are troubling. Once highly skilled and experienced personnel are let go and research teams are disbanded, it is difficult and expensive to replace them. Once the collection of biological and harvest information is stopped, you destroy forever the ability of fishery scientists to assess trends and make it impossible for them to make sound predictions. Decades of work is destroyed. Yet, this is the likely impact of NOAA's proposals.

The loss of people and facilities is only part of the NOAA budget story. Many of the fishery scientists funded under NOAA's proposal would no longer be able to continue their research at sea, because NOAA's research fleet would be laid up. Sea days would be cut drastically even under the wildly optimistic projections of NOAA concerning vessel chartering. NOAA now both charters private vessels and operates its own vessels. Laying up NOAA's research fleet means that the scientific assessment of our fishery resources will depend solely on the availability of privately-owned vessels which may or may not be there when needed. It also disregards the need for consistent and reliable fishery data that comes from using the same research vessels year after year.

The Institute is dumbfounded by NOAA's proposal to dismantle its scientific efforts in fisheries. Harvesting fish at optimum levels requires accurate assessments of the stocks and predictions on what will happen in the future. Our industry depends upon the scientific advice and information generated by NOAA's fishery laboratories. If NOAA scientists make a mistake, it can lead to overfishing or underfishing and the loss of millions of dollars to our industry.

Consider what has happened when scientific information was not available. The Georges Bank haddock fishery is a good example. During the period of 1930 to 1964, the fishery produced an annual domestic harvest of about 50,000 tons. In 1965 and 1966, an intense foreign fishery developed. The stock rapidly declined due to overfishing, and the average annual catch since the 1960's has been less than 10,000 tons. The total loss from the Georges Bank haddock fishery exceeded $400 million in ex-vessel value, and many times that in total contribution to the national economy.

A lack of good information can also lead to underfishing. Consider what occurred in the brown king crab fishery off Alaska. King crab management is based on the size of the crabs taken. Because fishery managers lacked good information on the size of brown king crab at sexual maturity, they set the size limit of 6 1/2" in carapace width based on experience with other king crab species -- a conservative size limit. The fleet found that fishing in certain productive areas was not economically feasible since the vast majority of crabs there was smaller than the minimum size limit. Later, NOAA scientists came up with data sufficient to determine the size at sexual maturity of brown king crab. This information provided the basis to lower the size limit from 6 1/2 to 5 1/2 inches in carapace width. Subsequently, the crab fishery has harvested 600,000 pounds of brown king crab worth $1.2 to $1.5 million in 1983 that would not have been harvested under earlier regulations.

A recent example of where fishery science led to new harvests is the pollock resource in the Gulf of Alaska. During groundfish surveys in 1980, NMFS scientists discovered large concentrations of pollock in the Shelikof Strait. This information was made available immediately to industry. Our fishing vessels initiated operations in 1981. Since then, U.S. harvests in the Shelikof area have increased rapidly with a projected catch of 210,000 tons in 1984 with a value to U.S. fishermen of around $22 million.

The value of scientific studies concerning the degradation of the marine environment is illustrated by the recent loss of $60 million in offshore shellfish resources due to eutrophication and reduced dissolved oxygen in the Mid-Atlantic Bight area. NMFS research on the effects of habitat degradation on fish production is necessary in order to make sound decisions to prevent future losses and mitigate those that have already occurred.

Fishery science also is critical to making the best use of those resources which are harvested. During the 1960's resource surveys indicated an extremely large standing crop of ocean quahog clams. At that time, the majority of the U.S. clam industry had little interest in the ocean quahog since there was an adequate supply of surf clams, and the ocean quahog was reputed to be tough and to have a strong "iodine" taste. In the mid-1970's, the abundance of surf clams was inadequate to supply public demand. As a result of research on processing and handling, the industry was able to develop the ocean quahog resource as a substitute.

Research in improved preservation techniques has produced major economic benefits. One research effort determined that pollock could be frozen, held at low temeprature and reprocessed without seriously altering functional and quality properties. This provided a basis for processors to develop and begin producing fish cakes and patties from Alaska pollock demonstrating that domestic utilization is feasible, resulting in sales of over $100,000 during the first year of production. The potential of expansion in this area is great. Increasing the per capita consumption by only 1/2-pound would have the effect of increasing domestic landings of pollock by 183,000 metric tons (less than 10% of the total pollock resource in Bering Sea and the Gulf of Alaska) for a total potential value of $100 million annually.

In another project, researchers developed improved methods for handling and packaging fresh trout in modified atmospheres to extend their refrigeration shelf life by 50%. This method permits trout growers to maintain market prices for quality fish. Trout growers are using the technique to ship fresh fish to midwestern and east coast markets. With added experience, the potential benefits of the modified atmosphere shipping technique to domestic trout and salmon growers is estimated to be about $9.6 million annually.

NOAA's proposed crippling of fishery science does not stop with its laboratories. Once again, NOAA proposes to cut the Sea Grant program. This is the program which helps bring the scientific and technical expertise in our colleges and universities to bear on the problems facing our fisheries. This program directly supports our industry's productivity and efficiency.

The many individual cuts to fishery research and monitoring activities, the fishery research fleet and the Sea Grant Program add up to the dismantling of a scientific effort to monitor and report on the condition of our fishery resources that has been underway for more than 100 years. These proposals would cripple federal and state efforts to manage these resources, and leave our industry without a sound scientific basis to operate. They should be rejected.

Fishery Management

Harvests must be controlled when necesary to prevent overfishing and to ensure that maximum benefits are derived from our fishery resources. The Institute believes that adequate public funding must be provided for these efforts.

The flexibility and responsiveness needed in fishery management is largely due to the regional nature of fishery regulations and the cooperation and participation of industry and state agencies in management decisions. This management system, however, is threatened by the proposed termination or reduction of support for programs in the NOAA budget.

The Institute does favor eliminating the requirement that Council members be compensated. Should such a change be made the funding for the Councils could be reduced by at least $800,000.should be restored.

Fishery Development

The Institute supports the continued use of receipts from the Saltonstall-Kennedy Act for fishery development. Since the 1950's import duties on fishery products have been used for development, marketing and scientific research. Development projects funded with these receipts have accelerated the growth of our industry and should be continued. An example is the national marketing program called "Catch America" which has introduced lesser known and inexpensive seafood to the American consumer. Other important efforts which should be continued involve work to reduce overseas trade barriers and reduce the regulatory burdens on industry. Another important component of the fishery development program is the research conducted by NOAA's three technological laboratories in Gloucester, MA; Seattle, WA; and Charleston, SC.

CONCLUSION

The Committee's consideration of our comments is appreciated. The program areas discussed are vital. I urge the Committee to support NOAA's fishery programs to assure that our citizens benefit from the employment, food supply and revenue which can be generated from our fishery resources.

Oregon
STATE SYSTEM OF HIGHER EDUCATION
NATIONAL COASTAL RESOURCES RESEARCH AND DEVELOPMENT INSTITUTE
Hatfield Marine Science Center
Newport, Oregon 97365
(503) 867-3011

15 April, 1985

Honorable Paul Laxalt, Chairman
Subcommittee on Commerce, Justice, State,
and Related Agencies
Senate Appropriations Committee
Rm SD 140
Washington D.C. 20510

RE: National Coastal Resources Research and Development Institute

Dear Mr. Chairman:

We respectfully request that for operation of the National Coastal Resources Research and Development Institute for FY-1986, Congress appropriate $250,000 for administration of the Institute and $2.0 million for program development, in accordance with the Congressional intent expressed in our 1984 enabling legislation (copy appended).

That Act authorized an annual appropriation of $5 million for operation of the Institute. If need be, in view of the very difficult federal budget cirumstances before us. we believe we can effectively serve the intent of Congress, and can maintain the momentum achieved over these past few months of Institute planning and organization, if provided $2 million for this initial year of program development. In accordance with the Appropriations Committee directive accompanying the supplemental funding provided in 1984 for Institute start-up (copy appended), we will provide a detailed administrative budget and program prospectus to Committee staff by May 15.

The enabling legislation provides that:

> **"The Institute shall conduct research and carry out educational and demonstration projects designed to promote the efficient and responsible development of ocean and coastal resources . . . and shall include studies on the economic diversification and environmental protection of the Nation's coastal areas."**

In accordance with that mandate, projects presently under active high-priority consideration include: 1) assessment of impacts upon coastal communities of offshore mineral development, and determination of processes and institutional arrangements for maximizing economic benefits while adequately controlling negative impacts; 2) similar evaluations of mechanisms for optimal multi-purpose productivity from coastal forest lands, with minimal environmental degradation and maximum economic benefits to coastal communities; and 3) analysis of marine fishery management requirements for coordinated international-Federal-State interactions, assessment of present institutional arrangements and processes, and consideration of alternatives for improved cost-effectiveness of relevant research, monitoring, data analysis, and decision-making processes.

We are pleased to report that organization of the Institute is proceeding rapidly in response to the Congressional initiative establishing it as a national center for research and development of our Nation's marine and coastal resources. As specified in the Act, the Governors of the five Western States recently named their representatives to the Board of Governors, which is charged with administrative oversight of the Institute. That Board will hold its first meeting April 29-30, and a salient action will be establishment of the scientific Advisory Council. As provided in the Act, that Council is to be "comprised of specialists in ocean and coastal resources from the academic community . . . representing every coastal region of the Nation. . . (That Council) advises the Board of Governors concerning support of research, projects, and studies, and other advice as requested." It is that Council also which will provide the all-coasts perspectives and determinations of priorities which will make this a truly National Coastal Resources Institute.

We are committed to marshalling the Nation's scientific and technical resources from academic, governmental and private sectors to address the pressing problems inherent in balancing economic development of marine and coastal resources with responsible husbandry of their sensitive and productive environments. We are committed to focussing these capabilities toward acquisition of the knowledge, and application of the techniques, which will help to solve the burgeoning problems we face in using our natural resources for the economic and social benefit of our people, while at the same time safeguarding long-term productivity of these resources for future generations. To these ends, researches and other studies undertaken by the Institute must be operationally oriented, with prime focus upon timely benefit to our Nation and its people.

We respectfully request your leadership to provide us the needed Congressional mandate and financial resources for a significant beginning upon these tasks in the year ahead. The needs are now, and with your help, we intend to get on with the task. Please call upon us if we can provide further information useful to you and your staff, and be assured that we will provide preliminary administrative budget figures and a research prospectus by mid-May.

Yours sincerely,

John P Harville

John P. Harville, Ph.D. Interim Director

Legislation Establishing the
NATIONAL COASTAL RESOURCES RESEARCH AND DEVELOPMENT INSTITUTE

PUBLIC LAW 98-364—JULY 17, 1984 98 STAT. 443

TITLE II

National Coastal Resources Research and Development Institute
16 USC 1463b.

SEC. 201. (a) The Secretary of Commerce shall provide for the establishment of a National Coastal Resources Research and Development Institute (hereinafter in this title referred to as the "Institute") to be administered by the Oregon State Marine Science Center.

(b) The Institute shall conduct research and carry out educational and demonstration projects designed to promote the efficient and responsible development of ocean and coastal resources, including arctic resources. Such projects shall be based on biological, geological, genetic, economic and other scientific research applicable to the purposes of this title and shall include studies on the economic diversification and environmental protection of the Nation's coastal areas.

(c)(1) The policies of the Institute shall be determined by a Board of Governors composed of—

(A) two representatives appointed by the Governor of Oregon;

(B) one representative appointed by the Governor of Alaska;

(C) one representative appointed by the Governor of Washington;

(D) one representative appointed by the Governor of California; and

(E) one representative appointed by the Governor of Hawaii.

(2) Such policies shall include the selection, on a nationally competitive basis, of the research, projects, and studies to be supported by the Institute in accordance with the purposes of this title.

Advisory Council.

(d)(1) The Board of Governors shall establish an Advisory Council composed of specialists in ocean and coastal resources from the academic community.

(2) To the maximum extent practicable, the Advisory Council shall be composed of such specialists from every coastal region of the Nation.

(3) The Advisory Council shall provide such advice to the Board of Governors as such Board shall request, including recommendations regarding the support of research, projects, and studies in accordance with the purposes of this title.

(e) The Institute shall be administered by a Director who shall be appointed by the Chancellor of the Oregon Board of Higher Education in consultation with the Board of Governors.

Study.

(f) The Secretary of Commerce shall conduct an ongoing evaluation of the activities of the Institute to ensure that funds received by the Institute under this title are used in a manner consistent with the provisions of this title.

Report.

(g) The Institute shall report to the Secretary of Commerce on its activities within 2 years after the date of enactment of this Act.

(h) The Comptroller General of the United States, and any of his duly authorized representatives, shall have access, for the purpose of audit and examination, to any books, documents, papers and records of the Institute that are pertinent to the funds received under this title.

(i) Employees of the Institute shall not, by reason of such employment, be considered to be employees of the Federal Government for any purpose.

(j) For the purposes of this title, there are authorized to be appropriated in each fiscal year $5,000,000, commencing with fiscal year 1985.

APPROPRIATION FOR FY-1985 ORGANIZATION OF THE INSTITUTE

Finally, $250,000 has been included for the newly authorized National Coastal Resources Research and Development Institute. The Committee requests that the Institute provide a detailed administrative budget for the upcoming fiscal year and submit a prospectus on those specific national research proposals which will be pursued by the Institute.

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1986

WEDNESDAY, MARCH 20, 1985

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:02 a.m. in room S-146, the Capitol, Hon. Paul Laxalt (chairman) presiding.

Present: Senators Laxalt, Rudman, Specter, Hollings, Bumpers, Chiles, and Lautenberg.

DEPARTMENT OF COMMERCE

STATEMENT OF MALCOLM BALDRIGE, SECRETARY OF COMMERCE

ACCOMPANIED BY:
  CLARENCE J. BROWN, DEPUTY SECRETARY
  NANCY A. RICHARDS, DIRECTOR, OFFICE OF BUDGET

OPENING STATEMENT OF SENATOR LAXALT

Senator LAXALT. The subcommittee will be in order.

Our first witness this morning will be the Secretary of Commerce. The Commerce Department request for fiscal 1986 totals $1.69 billion, which is a reduction from the currently enacted amount of approximately $440 million. In addition, two requests are proposed for later transmittal; that is commercialization of LANDSAT for $75 million in 1985 and $90 million in 1986, and the creation of a new Administration for Enterprise Development and Opportunity for $54 million, which would combine functions of the Small Business Administration and the Minority Business Development Agency.

The Commerce Department budget request includes many of the same proposals for reductions we have seen in the past. I might say this agency, among others, has done a very, very good job as far as this subcommittee is concerned in this respect. While the budget crisis mandates that we take a fresh look at these issues, we should also look for possible savings in base programs not proposed for reductions, as well as in proposed program enhancements.

Mr. Secretary, we welcome you here once again. I have had the privilege of reading your full statement. If you would like to summarize, it would be perfectly appropriate, and we will make the full statement part of the record.

BUDGET BREAKDOWN

Secretary BALDRIGE. Thank you, Mr. Chairman.

As you pointed out, we are requesting a total of $1.6 billion. That is about a half billion dollars below the fiscal 1985 appropriation.

Senator LAXALT. Where is most of that coming from?

Secretary BALDRIGE. The half billion dollars?

Senator LAXALT. Yes.

Secretary BALDRIGE. I would say programs.

Senator LAXALT. Mainly programmatic?

Secretary BALDRIGE. Almost entirely, EDA, some from NOAA.

Mr. BROWN. TAA.

Secretary BALDRIGE. And TAA.

The economy has been responding beyond our expectations. I think this is the strongest recovery in 30 years. There is still room for growth without creating inflationary pressures, but we have got some real problems that remain. The budget deficit is simply too large to be sustained over the long term without serious economic damage. The same is true for our trade deficit and the two have a relation with each other, as you know.

REDUCTION IN DOMESTIC SPENDING

The President has called for a program of growth and opportunity based on economic growth, price stability and increased economic opportunity for individuals. To achieve these objectives, it is essential to lighten the government's claims on the total economy. So we feel domestic spending can be cut. There is nothing mysterious about it. You terminate or reform programs that subsidize particular businesses and localities that the Federal Government should not be involved in and perform the remaining Federal functions in the most efficient way possible.

We think the fiscal 1986 budget for Commerce provides such a plan. The $1.6 billion we propose carries out essential Commerce functions. Scaling back the Department of Commerce can and should begin this year with rescissions of $313 million.

REDUCTION IN ECONOMIC DEVELOPMENT ASSISTANCE

Economic development assistance again heads the list of subsidies Commerce should stop providing and the Senate Budget Committee has agreed. The justification for this program has long since disappeared. Eighty percent of the country's population is eligible for assistance as part of a distressed area, but the economy itself is a far more powerful generator of employment, 7.3 million jobs in the last 2 years, compared to only 40,000 jobs created by EDA projects in the same period.

TRADE ADJUSTMENT ASSISTANCE

Trade Adjustment Assistance is another program that subsidizes a handful of firms. It is expensive and unsuccessful. A draft Inspector General report has indicated that less than 4 percent of the firms that are certified for assistance actually make a successful adjustment to imports, even when the definition of success merely calls for stabilizing sales or production or employment. We just can't justify spending tax dollars on such a fruitless task.

So I urge you to examine these facts and act on them. With $200 billion plus deficits facing us for the foreseeable future, we can't afford not to act.

ACROSS-THE-BOARD CUTS

This 1986 budget also contains substantial across-the-board cuts to tighten operations and reduce overhead. These actions save a total of $102 million in fiscal 1986. Any organization can be run more efficiently, and Commerce is no exception.

Within an overall budget that is 23 percent below fiscal 1985, there are increases for activities that the government must not only continue but improve upon.

The report of the President's Commission on Industrial Competitiveness dramatizes how pervasive trade has become in both the world and the U.S. economy. The Commission places the first responsibility for improving our competitive position where it belongs, that is, with the private sector. But the Federal Government has to ensure fair and efficient administration of our trade laws and foster prompt commercialization and strong protection of new technology.

INTERNATIONAL TRADE ADMINISTRATION

The International Trade Administration has made great strides in improving export licensing and enforcement. The Fast Track system allows ITA to process free world licenses that do not need interagency review within 20 days. We got that down; I think it was up around 80 days in the big wave of licenses a year and a half ago. The 1986 budget increase of $12.6 million will help us to go further. An automation project will allow 80 percent of all free world licenses to be processed within 5 days.

HIGH TECH EXPORT AREAS

The budget contains a proposal to add staff and field offices in the U.S. to strengthen enforcement in high tech export areas. Cracking down on export violations has produced notable results. Both the largest single criminal fine and administrative fine in the history of the Export Administration Act have been imposed. But we need to do much more, and it is especially important to have field offices in all locations that are high technology risks. High technology, thank goodness, is spreading the percentage around the country. We need to follow that. We also need additional staff to keep up with the continuing increases in import law case loads.

The President's Commission draws attention to several factors affecting technology competitiveness that are relevant to Commerce programs. They note that the United States is spending a smaller share of GNP on civilian R&D than either Japan or Germany. They also find that the United States has not given enough attention to manufacturing or "process" technology.

NATIONAL BUREAU OF STANDARDS BUDGET

The budget request for the National Bureau of Standards, NBS, addresses these factors. NBS proposes to perform the underlying R&D necessary to measure and understand biotechnology and advanced ceramic processes. They also plan to undertake a series of projects to improve process and quality control in other, more established technologies. Finally, the budget contains funds to begin constructing a Cold Neutron Research Facility that will make an important research tool available to a larger number of government, industry and university scientists.

WEATHER SATELLITE SYSTEMS

The fiscal 1986 budget contains increases for other areas of Commerce, as well: Full support for a two-geostationary, one-polar orbiting weather satellite system. The next generation of geostationary satellites will be better at detecting hurricanes and severe storms than the current generation is. The single polar system provides adequate support for weather forecasting.

NOAA BUDGET ITEMS

Research funds for two areas of long-term concern to NOAA are included. The study of trace gases in the atmosphere that may contribute to the "greenhouse effect" would provide scientific data for the debate on this environmental issue. Developing an automated system for taking weather readings in the atmosphere, Profiler, could lead to replacing the current system that depends on people and expendable balloons. The second proposal carries out commercialization of LANDSAT.

Mr. Chairman, we need to separate the "nice to have" from "need to have." The Federal Government can no longer afford to be all things to all people. We must collectively determine the Government's role and responsibilities and terminate those programs that support an exclusive few. I think the proposed budget for Commerce tackles that question.

Thank you, Mr. Chairman.

[The statement of Secretary Baldrige follows:]

PREPARED STATEMENT OF MALCOLM BALDRIGE
SECRETARY OF COMMERCE

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE, I HAVE COME HERE TODAY TO DISCUSS THE PRESIDENT'S ECONOMIC PROGRAM AND THE FY 1986 BUDGET OF THE DEPARTMENT OF COMMERCE. WE ARE REQUESTING A TOTAL OF $1.6 BILLION, NEARLY HALF A BILLION BELOW THE FY 1985 APPROPRIATION.

THE ECONOMY HAS RESPONDED BEYOND OUR EXPECTATIONS. IN FACT, THIS IS THE STRONGEST RECOVERY IN THIRTY YEARS. THE STATISTICS TELL THE STORY:

- REAL INVESTMENT IN NEW PLANT AND EQUIPMENT HAS GROWN OVER 15 PERCENT ANNUALLY SINCE THE END OF 1982, THE HIGHEST RATE IN ANY POST-WAR RECOVERY;
- OVER THE LAST TWENTY-FIVE MONTHS, EMPLOYMENT HAS INCREASED BY 7.3 MILLION JOBS; OR 300,000 PER MONTH;
- THERE WERE 600,000 NEW BUSINESSES FORMED IN 1983, NEARLY TWICE THE ANNUAL RATE OF THE 1970'S;
- INFLATION IS STILL UNDER CONTROL AT 3.6 PERCENT DURING 1984 (USING THE GNP DEFLATOR); AND
- INTEREST RATES ARE ONE-HALF THEIR 1981 LEVELS.

THERE'S ROOM FOR MORE GROWTH WITHOUT CREATING INFLATIONARY PRESSURES. BUT WE MUST NOT TURN OUR BACKS ON THE VERY REAL PROBLEMS THAT REMAIN. THE BUDGET DEFICIT IS TOO LARGE TO BE SUSTAINED OVER THE LONG-TERM WITHOUT SERIOUS ECONOMIC DAMAGE. THE SAME IS TRUE FOR THE TRADE DEFICIT. UNEMPLOYMENT AND INFLATION RATES, WHILE IMPROVING, ARE STILL NOT ACCEPTABLE.

THE PRESIDENT HAS CALLED FOR A PROGRAM OF GROWTH AND OPPORTUNITY FOR THE SECOND TERM. IT IS BASED ON THE SAME OBJECTIVES THAT GUIDED THE FIRST TERM -- ECONOMIC GROWTH, PRICE STABILITY AND

INCREASED ECONOMIC OPPORTUNITY FOR INDIVIDUALS. TO ACHIEVE THESE OBJECTIVES IT IS ESSENTIAL TO LIGHTEN THE GOVERNMENT'S CLAIMS ON THE TOTAL ECONOMY. THIS, IN TURN, REQUIRES THAT DOMESTIC SPENDING BE BROUGHT DOWN TO AN "ACCEPTABLE, APPROPRIATE AND SUPPORTABLE" SIZE.

DOMESTIC SPENDING CAN BE CUT. THERE IS NOTHING PARTICULARLY MYSTERIOUS ABOUT IT. YOU TERMINATE OR REFORM PROGRAMS THAT SUBSIDIZE PARTICULAR BUSINESSES OR LOCALITIES -- THAT THE FEDERAL GOVERNMENT SHOULD NOT BE INVOLVED IN -- AND PERFORM THE REMAINING FEDERAL FUNCTIONS IN THE MOST EFFICIENT WAY POSSIBLE.

THE FY 1986 BUDGET FOR THE DEPARTMENT OF COMMERCE PROVIDES SUCH A PLAN. THE $1.6 BILLION WE PROPOSE CARRIES OUT ESSENTIAL COMMERCE FUNCTIONS. SCALING BACK THE DEPARTMENT OF COMMERCE CAN AND SHOULD BEGIN THIS YEAR WITH RESCISSIONS OF $313 MILLION.

THE ECONOMIC DEVELOPMENT ADMINISTRATION AGAIN HEADS THE LIST OF SUBSIDIES COMMERCE SHOULD STOP PROVIDING. THE SENATE BUDGET COMMITTEE HAS COME TO THE SAME CONCLUSION. WHATEVER JUSTIFICATION THAT ONCE MAY HAVE EXISTED FOR THIS PROGRAM HAS LONG SINCE DISAPPEARED. TODAY 80 PERCENT OF THE COUNTRY'S POPULATION IS ELIGIBLE FOR ASSISTANCE AS PART OF A "DISTRESSED" AREA. BUT THE ECONOMY ITSELF IS A FAR MORE POWERFUL GENERATOR OF EMPLOYMENT. THE 7.3 MILLION JOBS CREATED IN THE LAST TWO YEARS WORKS OUT TO 300,000 JOBS A MONTH. BY CONTRAST, WE ESTIMATE ONLY 40,000 JOBS WERE CREATED BY EDA PROJECTS FOR THE SAME TWO-YEAR PERIOD, OR 1,700 A MONTH.

TRADE ADJUSTMENT ASSISTANCE IS ANOTHER PROGRAM THAT SUBSIDIZES A HANDFUL OF FIRMS. IT IS EXPENSIVE AND UNSUCCESSFUL. A DRAFT INSPECTOR GENERAL REPORT HAS INDICATED THAT LESS THAN 4 PERCENT OF THE FIRMS THAT ARE CERTIFIED FOR ASSISTANCE ACTUALLY MAKE A

SUCCESSFUL ADJUSTMENT TO IMPORTS -- EVEN WHEN THE DEFINITION OF SUCCESS MERELY CALLS FOR STABILIZING SALES, PRODUCTION OR EMPLOYMENT. WE SIMPLY CANNOT JUSTIFY SPENDING FEDERAL TAX DOLLARS ON SUCH A FRUITLESS TASK.

I URGE YOU TO EXAMINE THESE FACTS AND ACT ON THEM. WITH $200 BILLION PLUS DEFICITS FACING US FOR THE FORESEEABLE FUTURE, WE CANNOT AFFORD NOT TO ACT.

I COULD MAKE SIMILAR ARGUMENTS FOR THE OTHER STATE, LOCAL AND BUSINESS SUBSIDIES WE PROPOSE FOR TERMINATION. YOU KNOW THE LIST; IT INCLUDES PUBLIC TELECOMMUNICATIONS GRANTS, SEA GRANT, COASTAL ZONE MANAGEMENT, TRAVEL AND TOURISM PROMOTION AND FIRE AND BUILDING RESEARCH. AS YOU HOLD HEARINGS WITH OTHER COMMERCE WITNESSES OVER THE NEXT WEEK AND A HALF, PLEASE LISTEN CAREFULLY AND SERIOUSLY TO THE ARGUMENTS BEING PRESENTED. I HOPE THAT YOU COME TO THE SAME CONCLUSIONS THAT WE HAVE.

THE FY 1986 BUDGET ALSO CONTAINS SUBSTANTIAL ACROSS-THE-BOARD CUTS TO TIGHTEN OPERATIONS AND REDUCE OVERHEAD. IN RESPONSE TO THE CONGRESSIONAL DIRECTIVE IN THE DEFICIT REDUCTION ACT, WE HAVE REDUCED SPENDING IN CATEGORIES LIKE TRAVEL AND CONSULTING SERVICES BY $13 MILLION. FY 1986 COST INCREASES OF $24 MILLION HAVE BEEN ABSORBED. WE HAVE CUT OVERHEAD EXPENSES BY AN AVERAGE OF TEN PERCENT TO SAVE $20 MILLION. TOGETHER SUCH ACTIONS SAVE A TOTAL OF $102 MILLION IN FY 1986. ANY ORGANIZATION CAN BE RUN MORE EFFICIENTLY, AND COMMERCE IS NO EXCEPTION.

UP TO THIS POINT I HAVE EMPHASIZED THE REDUCTIONS THAT ARE NECESSARY. BUT WITHIN AN OVERALL BUDGET THAT IS 23 PERCENT BELOW FY 1985, THERE ARE INCREASES FOR ACTIVITIES THAT THE GOVERNMENT MUST NOT ONLY CONTINUE BUT IMPROVE UPON.

THE PRESIDENT'S COMMISSION ON INDUSTRIAL COMPETITIVENESS RECENTLY ISSUED ITS REPORT, WHICH HELPS DRAMATIZE HOW PERVASIVE TRADE HAS BECOME IN BOTH THE WORLD AND U.S. ECONOMIES. SINCE 1970 THE TOTAL VOLUME OF WORLD TRADE HAS GROWN SEVEN-FOLD. TODAY 70 PERCENT OF OUR INDUSTRIAL OUTPUT COMPETES IN SOME WAY WITH MERCHANDISE FROM ABROAD AND 20 PERCENT IS EXPORTED.

THE COMMISSION PLACED THE FIRST RESPONSIBILITY FOR IMPROVING OUR COMPETITIVE POSITION WHERE IT BELONGS -- WITH THE PRIVATE SECTOR. BUT THERE ARE ROLES THAT MUST BE CARRIED OUT BY THE FEDERAL GOVERNMENT AND SPECIFICALLY BY THE COMMERCE DEPARTMENT. ONE IS THE FAIR AND EFFICIENT ADMINISTRATION OF OUR TRADE LAWS. ANOTHER IS FOSTERING PROMPT COMMERCIALIZATION AND STRONG PROTECTION OF NEW TECHNOLOGY.

THE INTERNATIONAL TRADE ADMINISTRATION HAS MADE GREAT STRIDES IN IMPROVING EXPORT LICENSING AND ENFORCEMENT. THE "FAST TRACK" SYSTEM ALLOWS ITA TO PROCESS FREE WORLD LICENSES THAT DO NOT NEED INTERAGENCY REVIEW WITHIN 20 DAYS. THE 1986 BUDGET INCREASE OF $12.6 MILLION WILL HELP US TO GO FURTHER. AN AUTOMATION PROJECT WILL ALLOW 80 PERCENT OF ALL FREE WORLD LICENSES TO BE PROCESSED WITHIN 5 DAYS. OTHER IMPROVEMENTS IN LICENSING WOULD INCLUDE REVISION OF THE LIST OF CONTROLLED COMMODITIES AND MORE AUDITS OF MULTIPLE LICENSES.

THE BUDGET CONTAINS A PROPOSAL INCLUDED IN LAST YEAR'S BUDGET TO ADD STAFF AND FIELD OFFICES IN THE U.S. TO STRENGTHEN ENFORCEMENT IN HIGH TECHNOLOGY EXPORT AREAS. CRACKING DOWN ON EXPORT VIOLATIONS HAS PRODUCED NOTABLE RESULTS. DURING 1984 WE SENT 51 CASES TO JUSTICE FOR CRIMINAL PROSECUTION. BOTH THE LARGEST SINGLE CRIMINAL FINE ($3.1 MILLION, DATA SAAB) AND ADMINISTRATIVE FINE ($1.5 MILLION, DEC) IN THE HISTORY OF THE EXPORT ADMINISTRATION ACT HAVE BEEN IMPOSED. BUT WE NEED TO DO MUCH

MORE, AND IT IS ESPECIALLY IMPORTANT TO HAVE FIELD OFFICES IN ALL LOCATIONS THAT ARE HIGH TECHNOLOGY RISKS. WE ALSO NEED ADDITIONAL STAFF TO KEEP UP WITH THE CONTINUING INCREASES IN IMPORT LAW CASELOADS.

WHEN THE PRESIDENT'S COMMISSION ANALYZED THE TECHNOLOGY SITUATION, THE REPORT POINTED TO SEVERAL FACTORS THAT ARE RELEVANT TO COMMERCE PROGRAMS. THEY NOTED THAT THE U.S. IS SPENDING A SMALLER SHARE OF GNP ON CIVILIAN R&D THAN EITHER JAPAN OR GERMANY AND THAT GOVERNMENT-FUNDED R&D IS MUCH LESS OF A COMMERCIAL CATALYST THAN IT WAS IMMEDIATELY FOLLOWING WORLD WAR II. FURTHERMORE, THEY FIND THE U.S. HAS NOT GIVEN ENOUGH ATTENTION TO MANUFACTURING OR "PROCESS" TECHNOLOGY.

THE BUDGET REQUEST FOR THE NATIONAL BUREAU OF STANDARDS (NBS) ADDRESSES ALL THESE FACTORS. NBS PROPOSES TO PERFORM THE UNDERLYING R&D NECESSARY TO MEASURE AND UNDERSTAND BIOTECHNOLOGY AND ADVANCED CERAMIC PROCESSES. THEY ALSO PLAN TO UNDERTAKE A SERIES OF PROJECTS TO IMPROVE PROCESS AND QUALITY CONTROL IN OTHER, MORE ESTABLISHED TECHNOLOGIES. FINALLY, THE BUDGET CONTAINS FUNDS TO BEGIN CONSTRUCTING A COLD NEUTRON RESEARCH FACILITY THAT WILL MAKE AN IMPORTANT RESEARCH TOOL AVAILABLE TO A LARGER NUMBER OF GOVERNMENT, INDUSTRY AND UNIVERSITY SCIENTISTS.

IN FEBRUARY I PRESIDED AT A CEREMONY MARKING ACHIEVEMENT OF A $4 MILLION FUNDING GOAL FOR A JOINT PROJECT BETWEEN NBS AND THE AMERICAN SOCIETY FOR METALS TO DEVELOP DATA ON HOW ALLOYS PERFORM. THIS IS JUST THE KIND OF PARTNERSHIP WE NEED BETWEEN THE PRIVATE AND PUBLIC SECTOR: IDENTIFICATION OF A PROBLEM THAT NEEDS THE SPECIAL EXPERTISE OF BOTH GOVERNMENT AND INDUSTRY SCIENTISTS AND THEN FUNDING IT THROUGH JOINT CONTRIBUTIONS. THE FY 1986 BUDGET WOULD INVOLVE NBS IN ADDITIONAL PROJECTS THAT FIT THIS MODEL.

The FY 1986 budget contains increases for other areas of Commerce as well.

The Bureau of the Census will continue long-range planning for the 1990 Census of Population and Housing. Key events in 1986 include evaluating the results of the 1985 pretest and further testing of techniques for address list compilation, multiple collection sites and alternate automation designs.

The Patent and Trademark Office continues on track with its goals to reduce patent and trademark pendency. Patent pendency will reach 18 months by 1987. The 1986 budget proposes a total of $219 million for PTO, $134.5 million of that offset by fees.

The FY 1986 budget continues full support for a two-geostationary, one-polar orbiting weather satellite system. We are initiating procurement of the next generation of geostationary satellites this fiscal year. The new satellites will be better at detecting hurricanes and severe storms than the current generation is. In FY 1986, the procurement will be expanded to include two additional satellites to reduce unit costs and to guarantee continuity in coverage. The single polar system provides adequate support for weather forecasting and should satisfy the U.S. contribution to the U.S.-Soviet search and rescue program through 1990.

Research funds for two areas of long-term concern to NOAA are included. The study of trace gases in the atmosphere that may contribute to the "greenhouse effect" would provide scientific data for the debate on this environmental issue. Developing an automated system for taking weather readings in the atmosphere (Profiler) could lead to replacing the current system that depends on people and expendable balloons. By providing a continuous

STREAM OF DATA. THE PROFILER WOULD ALSO LEAD TO MORE ACCURATE AND TIMELY FORECASTS.

THE VALIDATION PHASE OF THE WEATHER SERVICE'S NEXT GENERATION RADAR PROGRAM (NEXRAD) WILL BE COMPLETED IN 1986. SINCE COMMERCIALLY-AVAILABLE DOPPLER RADARS HAVE IMPROVED OVER THE LAST SEVERAL YEARS, WE WANT TO EVALUATE THEIR CAPABILITIES AS WELL. BOTH ENGINEERING AND FIELD TESTS WILL LOOK AT THE NEXRAD PROTOTYPES AND OFF-THE-SHELF UNITS.

THE 1986 BUDGET INCLUDES REFERENCES TO TWO ADDITIONAL PROPOSALS THAT WERE NOT TRANSMITTED WITH THE BUDGET. THE FIRST WOULD TRANSFER CERTAIN SMALL BUSINESS ACTIVITIES TO THE DEPARTMENT OF COMMERCE IN CONNECTION WITH THE ELIMINATION OF THE SMALL BUSINESS ADMINISTRATION (SBA). THE TRANSFER INCLUDES SMALL BUSINESS ADVOCACY AND PROCUREMENT ACTIVITIES AS WELL AS SBA'S OWN MINORITY BUSINESS ASSISTANCE PROGRAM. LEGISLATION CREATING AN ADMINISTRATION FOR ENTERPRISE DEVELOPMENT AND OPPORTUNITY WITHIN COMMERCE HAS BEEN SUBMITTED.

I THINK THE DEPARTMENT HAS AN EXCELLENT RECORD OF SUPPORT FOR SMALL BUSINESS THROUGH THE PROGRAMS OF ITA, NBS, PTO, NOAA AND THE OFFICE OF BUSINESS LIAISON. THE SBA FUNCTIONS WOULD COMPLEMENT THESE EFFORTS AND LEAD TO A STRONG, CABINET-LEVEL VOICE FOR SMALL BUSINESS ISSUES.

THE SECOND PROPOSAL CARRIES OUT COMMERCIALIZATION OF LANDSAT. REQUESTS FOR 1985 AND 1986 APPROPRIATIONS WILL BE FORWARDED TO CONGRESS UPON ACCEPTANCE OF A FIXED-PRICE CONTRACT COVERING 2 SATELLITES THAT PROVIDE AT LEAST 6 YEARS OF SERVICE. BY TURNING THIS FUNCTION OVER TO THE PRIVATE SECTOR, WE GET GOVERNMENT OUT OF THE BUSINESS AND CREATE AN OPPORTUNITY FOR NEW PRIVATE SECTOR VENTURES.

SATELLITE COSTS ARE EATING UP MORE AND MORE OF THE NOAA BUDGET -- OVER ONE THIRD BETWEEN FY 1985 AND FY 1986. THE EXTREMELY HIGH SATELLITE COSTS TEND TO DRIVE OUT SMALLER INITIATIVES IN OTHER AREAS WHEN BUDGET DECISIONS ARE MADE. IN ORDER TO SOLVE THIS PROBLEM IN THE LONG RUN, IT IS ESSENTIAL TO ACCEPT A ONE-SATELLITE POLAR-ORBITING SYSTEM AND TO COMMERCIALIZE LANDSAT.

WE NEED TO SEPARATE "NICE" TO HAVE FROM "NEED" TO HAVE. THE FEDERAL GOVERNMENT CAN NO LONGER AFFORD TO BE ALL THINGS TO ALL PEOPLE. WE MUST COLLECTIVELY DETERMINE GOVERNMENT'S ROLE AND RESPONSIBILITIES AND TERMINATE THOSE PROGRAMS THAT SUPPORT AN EXCLUSIVE FEW. I THINK THE PROPOSED BUDGET FOR COMMERCE TACKLES THAT QUESTION.

INTRODUCTION OF WITNESSES AND NEW SUBCOMMITTEE MEMBER

Senator LAXALT. Thank you, Mr. Secretary, for an excellent statement.

We would also like to welcome former Congressman Brown and Nancy Richards to the hearing. We are glad to have you here, and welcome.

First of all, we all know my colleague, our new colleague, Senator Lautenberg. I want to welcome him to the subcommittee.

Senator LAUTENBERG. Good morning.

Where does the Democrat go, to the right or left of the Chairman?

Senator LAXALT. You pick.

Senator LAUTENBERG. I will sit over there.

Senator LAXALT. That is a good sign, Frank. I don't mind a bit.

[Laughter.]

Senator LAXALT. The Secretary, Senator Lautenberg, has just concluded his general statement, and I was just asking him what the resolution did to Commerce, because I don't recall the detail on it and didn't have it. Is it essentially a freeze?

Secretary BALDRIGE. It mainly went along with the EDA cutback, and I don't think we have the details on that.

ECONOMIC DEVELOPMENT ADMINISTRATION

Senator LAXALT. That is all right.

Secretary BALDRIGE. I am not aware of the rest of it.

Senator LAXALT. Do we have any new information on EDA? Because I subscribe to the views expressed concerning the problems with EDA. I don't think it has been justified for many years, and yet 2 years ago we had a minor skirmish within the subcommittee. The Chairman got rolled, and I was wondering, in terms of once again proposing this, whether or not people in Commerce have a bit more recent experience which would strengthen our case on the merits here.

Is there a record on EDA in terms of the return to the taxpayer? Does it consist of classic pork barrel type of projects that float around this town?

Secretary BALDRIGE. I think the latest figures are 55 percent of the loans are in default. The number of projects, which simply don't work, can't work, is simply too great, Senator. The ones that can work, let's say, the other 45 percent that sometimes work out, means they cost twice as much.

Also, a good many of those can get financing without going to EDA. So it is like you are helping out the ones——

Senator LAUTENBERG. The unneedy?

Secretary BALDRIGE. They think they are needy, but let's say they could get the job done in other ways.

Senator LAUTENBERG. Mr. Chairman, I don't know the protocols here, so if I step on the Chairman's toes, you will kindly let me know.

Senator LAXALT. I will, but you won't.

[Laughter.]

Senator LAUTENBERG. Please protect your toes there.

If the default rate is so bad, what was the decision that went into making those loans, Mr. Secretary?

Secretary BALDRIGE. Well, essentially, when EDA started, it covered about 12 to 15 percent of the counties in the country. They were called "distressed areas" under the congressional rulings for designation for distressed areas. Then Congress' program went along, wrote in more and more; kept adding other counties as distressed areas.

U.S. AREAS ELIGIBLE FOR DEPRESSED AREA LOANS

When I came down here, I think the figure was 85 percent of the United States was classified as a distressed area for purposes of EDA projects. That means tremendous pressure on the EDA management to take steps on more of a political basis than they probably should have, just tremendous pressures. You have so many loans coming in from all over the country that even though you put on selection criteria, loans still go into default.

We made an audit when I came here, and I was shocked to find that was the first audit of EDA loans that had ever been made. The audit came out that at that time overall more than 40 percent of those loans were in default. We tried to just take applications from the worst ones, areas that are the hardest hit. That seemed to make some sense, but we are still carrying the load of those past defaults.

I must say the program is too expensive, and it just doesn't work.

Senator LAUTENBERG. Could I ask if your staff might be available to get some more information on that following the hearing? I would like to know what happened in New Jersey where I think we have made fairly good use of that program. But we will not delay the meeting further for that.

Secretary **BALDRIGE.** I would be glad to send that information, Senator. It is true. I would never sit here and say that some of the loans didn't help. It is just that the cost to the taxpayers overall for that program is what we are talking about.

TRADE DEFICITS

Senator **LAXALT.** Mr. Secretary, we are doing what we can around here, and hope it is adequate, in terms of our fiscal responsibility. We reported a resolution, which, to me overall, seems quite responsible in terms of the bottom line number. Hopefully, that will bring desirable results eventually. I think what troubles most of us on this subcommittee is the fact that not only do we have our responsibilities here, but in terms of the overall deficit problem are these huge trade deficits.

There isn't a week that goes by that we don't have people coming in, our own constituents and otherwise, that say, "we are all for free trade, but there isn't much out there to spare." Senator Hollings' people, the textile people, come in here and tell you what is happening in connection with Korea and the PRC and so forth, and Senator D'Amato indicates, told the President as a matter of fact, that they produced beef in Argentina now for $1,800. They are going into the European markets, and their beef was subsidized by over $1,200. How do you play the game?

I think he raises a bottom line question. Of course, you and Bill Brock are deeply immersed in all this. I think I speak for most of the members of my subcommittee—for that matter, for most of the people in the Senate—when I say that this is a very pressing problem in terms of our overall fiscal problem. We can't afford these huge deficits much longer. You have lived with this in the private world. You have certainly lived with it since you have been here in town.

When are we going to sit down and attempt to meaningfully work out some guidelines, some protections for our own people, short of throwing up walls of protectionism?

Secretary **BALDRIGE.** You put your finger on the problem, of course, Mr. Chairman, but we don't want to try a series of band-aids that is not going to solve the problem and will come back and hurt us more than it is warranted.

THE U.S. DOLLAR

In the first place, a lot of our trade difficulties right now are due to the strength of the dollar. That is related, in my opinion, absolutely, to our budget deficit.

Now, if you took last year, the economy in this country grew around 7 percent of GNP; it was about 6.8 percent. In Europe, it was around 2 percent, for example. So you had a 5 percent difference just in the growth rate of the GNP. In addition, we had high interest rates. So whether you wanted to invest in equities or in debt instruments, if you were sitting on your investment funds in Germany or Japan or wherever, you would be better off to invest in the United States.

Now we are seeing an emergence of the economies around the world. This is very desirable as far as the dollar goes. This year we will see the U.S. economy growing at probably 4 percent. In Europe, 2 percent it is going to be, maybe closer to 3, 2.8 percent. So all of a sudden there is a 1 percent difference in the growth of the economy, and our interest rates are beginning to get a little bit closer to what they are there. So the growth rate is getting together. If we would reduce the budget deficit, that would have a depressing effect on interest rates, and that is what we want.

I don't believe the scene that I read somewhere where if the Congress and the administration finally worked out a strong deficit reduction package that was passed, that that would strengthen the dollar. That might be true temporarily, but the effect of lower interest rates that that would bring, would leave us in a much better position and the dollar would eventually go down.

But the dollar has gone up maybe an average of somewhere around 50 percent since 1980.

Senator LAXALT. I thought historically that the sound dollar was supposed to be a healthy thing for America. I get confused around here. I thought an exceedingly healthy dollar was good, and suddenly that is bad.

Secretary BALDRIGE. Just like those weight lifters get built up on steroids. It is all right to get muscled up, but you can get too muscled up and be in a bad position.

[Laughter.]

COST CUTTING BY U.S. PRIVATE BUSINESSES

Secretary BALDRIGE. The dollar goes up 50 percent. It is my business to know what our industry does as far as I can, and I see manufacturing industries, the textile business for one, capital goods business, people like Caterpillar, the automobile business, literally that have reduced their overhead costs, all costs in total, by a third. They have dropped a third. Five years ago, you wouldn't have found a chief executive officer who would have thought he could have dropped his costs a third. Now they are there with their backs against the wall. Even with that, if the dollar has gone up 40, 50 percent, they are still in trouble on the whole trade problem.

So the strength of this dollar is the largest factor causing trade deficits and causing the rise of protectionism.

Senator LAXALT. Is it your feeling, and let me see if I follow you here. Is it your feeling that if we do what we have to do fiscally, that the dollar problem would diminish?

Secretary BALDRIGE. Yes, sir, because one of the things causing the strength in the dollar has been the fact that the U.S. economy far, far outperformed all other economies. They are beginning to catch up now, and our initial spurt is slowing down. So that is going to take some pressure off the dollar. As a matter of fact, I think it is going to take enough pressure off so that in the last half of this year, we will see the dollar begin to go down some.

The other thing reflects on people wanting to invest in equity values. They can find now in Europe and they are beginning to find some places in South America and in Japan places to put equity that may be relatively almost as good as the United States.

INTEREST RATES

Then you get to what happens to our interest rates. Our real interest rates are still way too high. We have mortgage rates of 13 percent with inflation at 4 percent.

Senator LAXALT. Our banking friends are not entitled to more than 3 points above inflation, are they? Historically, I mean, all of us talk about this all the time. Why are we talking about double digit interest rates when we have a stabilized inflation rate of 4 percent? Why aren't we talking about 7 or 8 percent interest rates?

Secretary BALDRIGE. We are talking about 8 or 9 percent real interest rates, not just taking the inflation out of it. In my opinion, that is because the long-term investors literally don't think that we have the will to control this budget deficit and control inflation in the future.

Senator LAXALT. Senator Hollings, I just want to make one observation. That is what they all tell us. They say listen, sure, we are entitled to 3 or 4 points, but we don't trust you. I guess, for example, there is justification. So we are going to build in additional points, and that is insurance against protective inflation.

Secretary BALDRIGE. Can I make a statement?

Senator LAXALT. Surely.

INTEREST RATES

Secretary BALDRIGE. A banker, let's say the Federal, whoever it is, the Morgan Guaranty or First National City of Chicago, he doesn't sit there and make those real interest rates. I mean, if inflation is at 4 percent, home mortgages are at 13 percent, that is 9 percent real interest rate. The fellow at the Bank of Chicago can't do that. He has got to buy his money some place or get his money some place, and he is paying the real interest rates, so his 2 and 3 percent, I think he is 3 percent, 2, 2½ percent over the cost of his money; then he is all right.

But that real interest rate is part of his cost of money. He can't get that down. That is the whole worldwide financial market system. When you look at the United States and say, we haven't yet seen the United States pass a budget deficit reduction package that is going to reassure us as to what is going to happen in the future.

Senator LAXALT. Senator Hollings, I believe, has some questions.

Senator HOLLINGS. Thank you, Mr. Chairman.

Mr. Secretary, first of all, let me congratulate you in getting Bud Brown out of Ohio in time.

[Laughter.]

Senator LAXALT. No one is more relieved than Bud.

Senator HOLLINGS. He looks happy to be here today.

Mr. BROWN. Not to say anything for the savings and loans.

SENATE BUDGET ACTION

Senator HOLLINGS. Mr. Secretary, it is deeper than that and right down our alley of trade. If you are talking about the deficit, you improved on what we did in the Budget Committee. If you hadn't watched that complete exercise, we started off with bipartisanship and we came in with a fair thing for our Republican colleagues. We gave the President no-growth on Defense. We gave less than a freeze on foreign aid, transportation, and energy. We were going down. We froze the pay. They took my amendment for freezing employment for 2 years, which is cutting out 200,000 Federal workers. We were headed for the barn until we got to Social Security and then my Democratic colleagues scattered in all directions. We couldn't find them. That broke down the bipartisanship and we couldn't get anything on revenues.

As a result, the Republicans had to write their own budget. They wrote the best article they could think of. It still didn't do the job. They eliminated EDA, got into WIC, got into Aid for Dependent Children, housing, health care, Amtrak, the whole kit and caboodle. Like Vietnam, they came up and declared victory calling a $39 billion cut $55 billion and calling the deficit $101 billion, which is $146 billion, according to the CBO figure.

So we couldn't do the job without revenues, even though you can go for the most severest of cuts that they can do in their own way.

I understand why they did it. I think we should have continued with the bipartisanship, Mark Andrews, Nancy Kassebaum, and Jim Exon on our side. We can still try.

U.S. TRADE

But even if we got that dollar thing, I want to jump now over to what you were talking about on the matter of trade. Because that is not going to rectify the balance of trade. When you come down to it, we politicians in Washington, we are telling the owners of Scoville, and I brought that to South Carolina, as you know, that they have got to have a minimum wage, unemployment compensation, Social Security, clean air, clean water, OSHA, safe place, safe machinery, and product liability. I can list all of these things that go into the cost of production. While at the same time you can get this shirt for 18 cents an hour in downtown Shanghai, and there are 1 billion Chinese ready, willing and able to produce those shirts at 18 cents an hour.

So it is our standard of living in an international economy. It is quite obvious to me that we can't just reduce our standard of living under the auspices of the cry, "free trade, free trade, protectionism, protectionism, trade war." Heck, we are in a trade war. It is in the fourth quarter and we are up in the grandstands caterwauling. We have got to get down on the field and level it up, and that is your function.

I commend you for having tried, both on the deficit, because you and I have talked about a budget freeze, and on the matter of trade. We tried it under Carter. Bill Roth, you remember, was pushing for a Department of Trade. We compromised it out with the new Under Secretary of Commerce for Trade and had the commercial attaches in the various embassies reporting directly to you rather than State. We also transferred certain things from Treasury to Commerce. I noticed in the headlines, the President said no with respect to a Trade Department. In a way, perhaps, I would agree with him.

We established the National Security Council after World War II, so that Defense wouldn't stray into a foreign policy, so we had to get the Security Council right under the White House.

Now, with respect to trade, we need a similar Trade Council coordinating Defense, State, Treasury, Commerce, Labor, Agriculture, the Special Trade Representative, and there are so many pieces in that blooming puzzle. You know that, having stayed in good shape not lassoing steers but trying to lasso other Secretaries as you go around trying to promulgate the trade policy. We don't have a policy.

Back to textiles now, that is the most productive. We have increased our productivity 4 percent of GNP for the last 3 years. We are fully competitive. I am an old trial lawyer and 20 years ago I couldn't say that. We were dragging. But now we are highly competitive, and we are losing. We are closing down all the way around in every regard, and we don't need any new loans. All we need is the proper administration of our bilaterals. How can you say it is unfair or protectionism to enforce your own law or your own bilateral agreement?

Secretary BALDRIGE. I don't think it is.

Senator HOLLINGS. I know you don't. Get the White House in there somehow. You can do it by Executive Order. I put in a bill. But unless we can get it coordinated, I think I know the answer. I don't want to sound a sour note, Chairman Laxalt, but I think the President feels like he states in his news conference, we are keeping inflation down by letting the imports come in. He didn't say it exactly that way. He said, "Imports are helping us keep inflation down." Whether it is cucumbers or apples or tomatoes or textiles or steel or automobiles, we jumble them, just like we do the deficit.

I happen to think President Reagan loves the deficit, because he got those Democrats like Tip O'Neill, Teddy Kennedy, and Fritz Hollings running around trying to cut programs rather than start new ones. He has us locked in the corner, and we haven't got the sense to get out of the corner trying to cut programs. He is saying Social Security, Social Security.

Senator LAXALT. He is not all bad.

Senator Hollings. That is not all bad. It makes your job easy. He presented the program, again this year. I mean, that committee voted down 18 to 4 his own deficit because he called for a deficit budget—I should say more deficits, $187 billion in 1990 for 4 or 5 years out.

COUNTERVAILING DUTY

I think on trade, you are going to have to get some kind of coordination over there. I got the Columbia example last week, yes. They found a countervailing duty should be imposed, of 14.3 percent, but then you turn around and negotiate the duty away.. We are not enforcing the laws. We are cutting Customs agents.

Secretary BALDRIGE. I can't agree with that, Senator.

Senator HOLLINGS. What is that?

Secretary BALDRIGE. I can't agree that we are just taking their figures.

Senator HOLLINGS. Not only does the Department impose low subsidies, they negotiate the duties away. Out of 13 textile cases recently brought, subsidies were assessed against only 4 countries, with duties ranging from 3 to 5 percent.

Secretary BALDRIGE. We just don't accept their figures over your figures. On those countervailing duty investigations, by law we are charged with investigating those on a strictly legal basis—it can't be done politically. We find out what the level of subsidy is by law, the level that is applicable in this case.

We don't just take the figures of the nations involved. If we have any doubts at all, we go there, and we have 90 people that do that all the time.

We are not just accepting their figures.

Senator HOLLINGS. That is where I am getting my figures from, from your people down there. I think we need to look into that case, and maybe several other ones.

Secretary BALDRIGE. Show me where we figured that out wrong; I would be glad to go into it. I am going to stick up for the Department on that, because we have been through a jillion subsidy cases. We hung as much as 40 percent subsidies on the Europeans on the steel cases when that could have caused great international tension. Our job is not to avoid international tension; our job is to find subsidies.

The U.S. industry alleged subsidies in Canadian lumber of 67 percent, but we found they were zero. We have to go by the legal interpretation of subsidy in the case of Colombia, there or anywhere else. That is what we did. We didn't just accept their figures.

TRADE POLICY COORDINATION

Senator HOLLINGS. Getting back to the trade policy, do you go for the Trade Department or not?

Secretary BALDRIGE. Well, I got outranked on that. It has been in the paper, and I say it is accurate, the only Cabinet Department that was for consolidating trade was the Department of Commerce. I don't quite know the reasons why the rest of them did not want to go along with that, but we were alone in that majority.

The President backed that last year, but feels that this year, between going for the MX, budget deficit, and tax simplification, the legislative agenda is just too crowded to try and get that through this year. So he said he would not go for it at this time.

Senator HOLLINGS. Yes. I can understand that. How about just a coordination with an executive order?

Secretary BALDRIGE. I think we will get that done.

Senator LAXALT. What are you talking about? Are we talking about textiles or what?

Senator HOLLINGS. Coordination of all areas of trade..

Senator LAXALT. All right.

Secretary BALDRIGE. Trade policy and exportation. We have a study going on right now on what to do about the White House coordination process that you brought up.

Senator HOLLINGS. Yes.

Secretary BALDRIGE. I don't want to prejudge it, but I feel very sure that we will come up with something like you are talking about, where we coordinate international economic policy and trade policy in the same coordinating committee at the White House level where everybody can certainly be reached.

My point on the Trade Department was a different one. I think we need that, but I think that we need a Trade Department to come up with the policy, to even argue about it, instead of having a bunch of ad hoc policies.

Senator HOLLINGS. That is true.

Secretary BALDRIGE. We need a strong trade department. I would have said this 2 weeks ago, but this is something different now, to come up with a policy so that the other departments can shoot at it if they want.

Senator HOLLINGS. It is so complex, we need an individual like yourself, a Director of the Trade Council, where it promulgated as it moved along. We wouldn't want to be traumatic in the sense of ending up protectionist. You start with these laws and then you get to the Japanese, the honeymoon is over. If they didn't like our particular policies, we would just translate theirs from Japanese into English and use their rules and regulations. They would come to the table quick.

I can trust you. You can do it, and you know what to do. That is what we need, an individual. We are looking at the formats over here, one Senator wants this; he wants the textiles; another one wants the steel. We are going as a team, and it has worked so far because we have been rich and powerful. Now we are not all that rich and we are not all that powerful and we are not all that competitive.

Then we are down to the bottom line of that standard of living on the one hand and maintaining a capacity as a world power to produce steel and textile, glass, aluminum and everything else. So it is a real policy question. I hope you will continue your efforts.

Secretary BALDRIGE. Thank you.

Senator HOLLINGS. Yes, sir, thank you. With the Chairman's permission, I would like the record to show the Department's response to a question I previously sent to Commerce about the funding of the Office of Textiles and Apparel.

Senator LAXALT. We will print it in the Record.

Senator HOLLINGS. Thank you, Mr. Chairman.

[The information follows:]

SUBMITTED QUESTION BY SENATOR HOLLINGS

Question. For Textiles and Apparels' activities, what were your actual obligations in fiscal year 1984 and what is your planned spending for fiscal years 1985 and 1986?

Answer. The information appears in the following table:

TEXTILES AND APPAREL FUNDING SUMMARY

[Dollar amounts in thousands]

Appropriated funds	Fiscal year		
	1984 actual	1985 estimate	1986 estimate
Permanent personnel compensation	$1,467	$1,606	[1]$1,680
Other than permanent personnel compensation	$33	$22	
Overtime	$13	$10	$10
Cash awards	$6	$10	$10
Personnel benefits	$160	$196	$200
Subtotal	$1,679	$1,844	$1,900
Travel	[2]$170	$82	$100
Transportation of things	$3		
Communications, utilities, and rents			
Printing	[3]$170	$80	$80
Other supplies	[4]$214	$358	$5
Supplies	$18	$10	$10
Equipment	$36	$36	$5
Subtotal	$611	$566	$200
Export expansion program (promotion) direct project costs	$987	$1,000	([5])
Total	$3,277	$3,410	$2,100
Amount for textiles information management system [TIMS] (non-add; included in above total)	($152)	($389)	([5])
FTE	44.2	43.1	43.1
Trust funds	$418	$400	$500

[1] Includes salaries and benefits ($442) for personnel in Market Expansion Division who will continue Export Expansion Program with trust funds.

[2] Includes approximately $70,000 in travel associated with Export Expansion Program.

[3] Includes approximately $70,000 in printing associated with Export Expansion Program.

[4] Includes $152,000 for TIMS.

[5] ITA is committed to continuing the program but spending plans are not yet firm.

TELECOMMUNICATIONS TRADE

Senator LAXALT. Senator Lautenberg? I am going to recognize my colleagues, so they will know, on the basis of when they came in, if that is appropriate. All right? Senator Lautenberg.

Senator LAUTENBERG. I thought I had gotten automatic seniority here. [Laughter.]

Mr. Secretary, I am concerned about a couple of things in trade policy. First, telecommunications trade. Because of the breakup of AT&T and domestic deregulation. Our market is wide open and goods are flooding in and meanwhile, Japan and Europe, as you know, are closed. We don't get access to markets, access in reality and not in just words. I am of a mind to seek action where it can be taken in this subcommittee, in particular. As long as we can't get into markets abroad—and Senator Hollings would be the first to decry cloaks of protectionism and supporting the wrong things. I have to immediately say that I don't believe in protectionist legislation. On the other hand, I don't believe in being foolish in terms of having our goods flow in without an opportunity to send them back.

Where do we stand, can you tell us, in terms of the Japanese market? Because as we have opened up our market here, there is a sudden bonanza. But we found there that they are restricting us in a kind of indirect way: specifications on equipment have to be decided by an agency of the government. Here, we are very liberal in that regard. We say, "If you want to buy a foreign product, you buy something that conforms to the general standard," but that is decided way in advance. We have a problem with value-added networks. Are you familiar with that?

Secretary BALDRIGE. I sure am.

NEGOTIATIONS WITH JAPAN

Senator LAUTENBERG. What kind of assurances have the Japanese given us that of the U.S. service providers, who will be able to compete fairly out under regulation, et cetera?

Secretary BALDRIGE. Not good enough yet. We have got four areas we are working on now. Telecommunications is the first one. It has the most publicity because there is an April 1 deadline. That is when the new regulations go into effect.

Senator LAUTENBERG. So April Fool's Day.

Secretary BALDRIGE. And the Japanese ordinances. We have had meetings going on now for about 2 or 3 weeks. What the Japanese have come up with as of yesterday, if that were to go into effect on April 1, I would consider the negotiations a failure. Now, that does not mean that they're not going to come up with enough changes between now and April 1st so that we could consider it a success. But we are not there yet, and I don't think that it does any good for this government or our people or the Japanese to smother any forthcoming changes they have made with a lot of admiration and so forth, because we ought to tell it like it is, and if they are not there, they are not there. That goes for both of us.

TELECOMMUNICATIONS SERVICES

On the telecommunications services, what we want to have was on the value-added networks or VANS, they broke them down into three categories. One of them was a special category, Special Type II value added network that somehow seemed to just neatly encompass all the U.S. kinds of projects and nobody else's. There, they were asking that any time a company wanted to get into a value added network kind of a deal on the Special Type II VAN, you would have to give a business plan to show what kind of products you are going to make, what the capabilities were, where you were going to sell them, how much cash flow you expected, what profits you expected and your sales figure.

Now, that is ridiculous.

Senator LAUTENBERG. It sure is.

Secretary BALDRIGE. There is no way.

Senator CHILES. We don't require that of them, do we?

Secretary BALDRIGE. We require this, Senator: There are three guys up there, three men or women, I don't know, up in the Federal Communications Commission, FCC, that process maybe 50,000 applications a year, and they just look for one thing, or I should say two things: Will this harm the network, I mean do physical harm to the network if it is plugged in, and, if you bolt something up, is it compatible; can you plug it in? That is all. Actually, they don't really look too hard at compatibility because they couldn't sell it if it were not. The job of those three people is to push that stuff through, to let our companies buy it if they want to.

The Japanese would have to have—I don't want to say a thousand and exaggerate—but there would be a lot of Japanese doing all this paperwork.

If we allowed that, here is what would happen: Despite the best intentions of Nakasone, and believe me, I think the Prime Minister sincerely wants to do this, because he understands the flareback if we don't get freedom of trade. Dr. Shinto, the head of NTT, understands that is not the problem.

Senator LAUTENBERG. He doesn't understand. I am sorry. But go ahead, Mr. Secretary. I just want to go back to that point because I met with him personally.

TRADE BARRIER

Secretary BALDRIGE. I think he does, but at any rate, the bureaucracy, if you give the Japanese bureaucracy any latitude, I mean, if you have any regulations that aren't completely transparent, never mind what anybody else says, they are going to try to work a way around them to keep foreign firms out, and it is not just anti-Americanism, it is anti-all foreign firms.

Senator LAUTENBERG. Anticompetition.

Secretary BALDRIGE. They have been trading that way since World War II. That is the way General MacArthur started Japan, is with the trade barriers. That is all they know. Now that is deeply ingrained.

Our negotiating technique has got to be this: If it is a regulation at all, if there is anything down on paper, we have got to look at it and make sure it is so transparent that you can't screw it up at the bureaucratic level.

Now, when you say where are these negotiations now, I say we are not there yet. We greatly reduced the paperwork—and I can applaud the Japanese for that—but there is still a great amount left that we don't want to see. We have made some successes, some progress on certification. But we still have to register and give prior notification of these value-added networks.

CERTIFICATION OF EQUIPMENT

Senator LAUTENBERG. Leaving that, the VANS for a moment on the telecommunications business directly, for the benefit of my colleagues, Mal, you know that I come out of the computer business and communications business. What they are doing is they are looking to certify the equipment, determine standards, and so forth, but they won't take our laboratory's examinations on face value. They want to have all of the details so that they can make sure that they fully understand everything that is going in there. Maybe accidentally, a copy is made at some place along the way, but that is certainly not the intention, I'm sure.

The question is, on the certification, is it objective? Will it provide tight approvals instead of specific? Just as the Secretary says, I mean, you can find so many ways to shortcut this. We certainly don't want to be a proponent of trade barriers, but maybe if the FCC budget limits the number of persons who work on certification of foreign equipment, maybe if we made it a part-time job in the budget, maybe that would get the cases called to them so we would be on the level plane.

I met with Dr. Shinto. I delivered a speech in Japan to an international telecommunications conference. My speech was applauded by half the room, which was obviously not oriental, and the other half sat stoically and silently on it, because at that time, I was addressing the proposal to limit the life of software protection. When I met Dr. Shinto and I talked about the opening of the market here, he says, "Oh," he said, "We are doing the same thing here." He said, "We just signed a contract for $100 million worth of equipment," I think it was, all from AT&T, and that is out of procurement down to $3 billion.

Now, we are already over a billion dollars in deficit on telecommunications equipment, when 2 years ago we had a $200 million surplus. Our markets are wide open. We say, "Here, boys, come get it."

Things are not the same. Mr. Secretary, I would urge you to press forward, because I intend to press from this side. I don't want to do it just to be mean. I want to do it to make sure that the technological advantage that we have in this country is protected on a free, open market, and that is why it has got to be. It is very disappointing to me when the President of the United States agrees to relinquish automobile quotas and we get nothing in exchange. I mean, I think that the American public ought to be able to buy the best product that they can buy, but we can't be the only boy scout in the proverbial what-do-you-call-it:

[Laughter.]

Senator HOLLINGS. Lautenberg is a good witness, Mr. Chairman.

[Laughter.]

Senator LAXALT. Not bad.

OPEN MARKET

Secretary **Baldrige.** May I answer your last point, sir? About VRA lifting, that came up, and I have got to say I was on the side that I think you perhaps may disagree with. I thought as a negotiating technique, we would be wasting our power to take the VRA, lift it, assuming we were going to lift it now, and say, all right, we want telecommunications or farm goods or processed lumber or whatever, as a quid pro quo, because that wastes the whole thing. The VRA was the last vestige of any real protectionism we had against the Japanese. Sure, we have got a steel and a textile amendment, but those are worldwide.

So that effectively was the last barrier to the Japanese. We ought to use that across the board. We want them to open up all their markets. These four we are just starting now. Telecommunications, electronics, processed wood and pharmaceuticals and medical instruments are just the beginning. This process should keep on and on, I hope not ad nauseam, but ad something.

Senator **Lautenberg.** Infinitum.

Secretary **Baldrige.** It will take a couple of years. We are going to have to negotiate away all of those barriers if we possibly can. I don't know whether we can get them all, but we need to.

Senator **Lautenberg.** If I may, Mr. Chairman, did somebody watch the clock or is it on your honor?

Senator **Laxalt.** Why don't we take a question, perhaps from Senator Chiles, if it is all right, and I will get back to you, Senator Lautenberg.

Senator **Lautenberg.** Mine was on COCOM.

Senator **Laxalt.** I want to welcome Senator Chiles here. He has sort of been an ad hoc member of this subcommittee, anyhow. I am glad and really pleased and delighted that we formalized relationships.

[Laughter.]

Senator **Chiles.** Mr. Chairman, you all did sort of adopt me, as you helped take care of some of our concerns with Mariel prisoners and other problems that we have. The experience was so gratifying I decided I needed to formalize it to go ahead and come into wedlock.

[Laughter.]

JAPANESE TRADE BARRIERS

Senator **Chiles.** Mr. Secretary, I am delighted to hear the tone of what I hear, the statements that you have made and the posture sort of around our negotiations. I guess some of us are very frustrated because we have been trying to just watch these negotiations and deal with our Japanese friends for a long period of time. Of course, they have been coming to see us, whether it is on citrus or cattle or anything, and each time, of course, they are such masters. There is a reason for every sort of problem that there is, and generally, I have heard it so many times that this particular little segment of agriculture over there is the key to their coalition of staying in power and the whole country will turn Communist if you let some more oranges in.

The same thing will come up on cattle. And then, of course, they would come over and wring their hands with "Their trade deficit would be higher." Now we see it go from $19 billion to $37 billion in 1 year, and then just to hear your statement that we are going to negotiate down all of these barriers, but it is going to take a long, long period of years, Mr. Secretary, why should that be?

Again, as you say, we removed our last trade barrier that we had, and if we have done that, why should we have to take years and years? Why can't we get their attention and say they have to remove all these trade barriers? Why do we have to go through this? I know how difficult it is. But it seems like to me, I have got a little bill that I am working on. It just simply says that the trade deficit would be reduced by $10 billion in the next year or the President has certain authorities, and basically, it translates into the authorities that they are all using on us, that all of their automobiles will come through one place and they will all be inspected for auto emissions. That is one of the steps you can take. There are eight or nine other of the horror stories that they have used on us.

It seems like to me that I have decided that you can't deal with them on a case by case basis. They beat you at that game every time, or they relax only so much and make you think you have won something, and you have to go back. It seems that we really need to take them on across the board and deal with them sort of across the whole spectrum or we are going to see this $19 billion, which is now $37 billion become $54 billion. How long can that go on? Let me just—before you answer—[laughter] say I understand that with our high dollar, they will have an advantage on us if they have no barrier; with the labor costs they would have an advantage on us if they had no barrier. With the ability that they have to put together capital and select segments or industries that they want to address that they still haven't been able to do, that gives them an advantage.

So with all of these, I know we are not going to get down to zero or anything, but to have all those advantages and then put the trade barriers, that really sort of is rubbing it in.

TELECOMMUNICATIONS NEGOTIATIONS

Secretary BALDRIGE. I think the telecommunications negotiations are going to be the watershed or whatever term you want to use and will determine what our future policy is going to be. When you look at the web of barriers that are non-tariff, that are hidden, that are built into the organization that the Japanese people themselves have to go through, the Japanese industrials, they just end up worrying how to do it. To change those, unfortunately, is not something that can be done if the Japanese wanted to in the question of 1 month or 2 months. I think that this industry-by-industry approach, if we take the biggest sectors where we can do the most good, and get down to the nitty-gritty on what prevents us from coming in, I just don't know of another way to do it.

Now, if these telecommunications negotiations are not satisfactory and we don't get the major changes we want, then I feel very strongly that the administration has to sit down and figure out what the next step is. Because clearly, this kind of a negotiation will not be working.

If it does, I think we go down one path. If it doesn't, I think we have to examine all the alternatives, and I'm not in a position yet to say what the administration can back. Because some of the alternatives relieve some frustration but may affect some of our other trading partners more than the Japanese.

So we haven't decided that yet. But I think we would be looking at any and every kind of policy that we ought to take if these negotiations do not work out. I sense that feeling inside the administration, not just in the Congress. It is certainly there in Congress.

JAPANESE STRUCTURAL PROBLEMS

Senator LAXALT. Is the core problem structural here? I am constantly told, and I think we are all told, that Nakasone is a good guy and he wants to cooperate. Apparently he has developed a close association with the President.

Secretary BALDRIGE. He has.

Senator LAXALT. Apparently a lot of industrial interests feel much the same way. You have already defined part of the problem that historically the bureaucrats have been very protective, post-MacArthur, and that has been a matter of their traditional history. What is the decisionmaking process to get these things done?

Secretary BALDRIGE. The bureaucracy has seen prime ministers come and go. So has the Cabinet.

Senator LAXALT. So they run the same way we do?

Secretary BALDRIGE. No, not really, because if the President of the United States turns to me or anybody in the Cabinet and said, "Now, I want this done," you know, we are going to do it, or else we will be out of a job. That is not the case with the Japanese. The prime minister could be up for election—I don't want to get into Japanese politics, but he could be up for election; they could call an election within 6 or 8 months. He has got his cabinet sitting around there. He has got some people that may be wanting to run his job. It is not as simple in this case for any minister to say, "We can do this."

When it gets down to bureaucracy, they feel that their job clearly is to protect the interests of the Japanese industrialists, the Japanese consumer, that the consumer is way down at the bottom. The Japanese industrialists have to be protected in the Japanese economic program. So they are very loathe to carry out any major change, and it is change that we are talking about, change from the top down in Japan, when changes always come from consensus from the bottom up. They don't have that consensus.

It is difficult to negotiate these things out. We are able to do it, at least I hope we will be able to do it, on telecommunications because tremendous pressure has been put on by the whole American public.

Senator HOLLINGS. A one-word answer: Competition.

In other words, like Roosevelt, in order to keep the banks open, close the doors; to save the farms, plow under the crops. In order to remove a barrier, raise one and you will remove both of them. Until we get to the posture of really competing on the same level playing field, barrier-for-barrier, if you want to call it, protectionism, you are not going to get their attention. They would be stupes, other than to be nice, they love all those bowings; they have been doing that for 25 years and getting by with it. Why not continue?

Senator CHILES. Absolutely.

Senator HOLLINGS. Competition, that is the one-word answer.

Senator LAXALT. Senator Rudman has an important MX matter to tend to.

Senator RUDMAN. Many of us do.

ECONOMIC THEORY OF FIXED DEFICITS

Good morning, Mr. Secretary, good to have you here. Let me pick up on what Senators Chiles and Hollings have said. I have been coming to these hearings now for—it must be the fifth year, and have been hearing the same kind of story. I don't say that critically; I think that the structure that you are dealing with dictates that. I don't think it is going to change.

You know, where I am from, if you run against a brick wall 10 times and your head is bloody, you finally figure out that you must go around it or go over it, but don't keep going at it. Lester Therow, who, I believe, is described as a liberal economist from MIT——

Secretary BALDRIGE. You could say that.

Senator RUDMAN. Nevertheless, I think sometimes we affix labels on people. We tend to disregard some of their more meaningful proposals. Senator Chiles made a point; Senator Hollings made a point. The fact is, anyone who has dealt with the Japanese extensively understands that they have structural and institutional methods of essentially frustrating what we want to do, and there is no real belief on the part of anyone that I have talked to who is close to this that they are going to really change. The reason they are not going to change is because the little tobacco industry has as much political clout as the automobile workers.

Now, Dr. Therow addresses this in a very interesting way. He says, "If we think we can change that, we can't. We have got to generate the pressure from within the country," in this case, within the Japanese Diet. So his proposal is very simple, and I happen to think there are a number of people in Congress who at some point are going to offer this proposal in legislative form.

You say to the Japanese, "Fine, what products do you want to take? We don't talk about telecommunications quotas. We talk about free trade. We have traded. We probably ought to have a 10 percent trade deficit with you historically. That is a good number. For every dollar of American products that are shipped into Japan, you may ship $1.10 into this country. It can be all Datsuns or it can be all Sony television sets or computers. We don't care what the mix is, do what you want to do, but for every dollar, you are going to get $1.10. If you want to give us 50 cents, you are going to get 50 cents plus 10 percent, 55 cents."

Dr. Therow has written a very interesting paper on this. He goes through the entire world, if you will, and sets forth a mechanism for establishing balances of trade which can be reviewed by appropriate agencies, and, quite frankly, Mr. Secretary, I haven't heard a better proposal yet that will transfer the pressure from the negotiating table to where it has to be; in the political processes within the country.

I want to know if you have a response to that?

Senator BUMPERS. Would you repeat the question?

[Laughter.]

Secretary BALDRIGE. How can I say this to a friend?

Senator RUDMAN. I guess my question is very simply, do you think we ought to start putting some other restrictions on the Japanese?

Secretary BALDRIGE. How can I say this to a friend?

Senator RUDMAN. Bluntly.

Secretary BALDRIGE. You call it one of the best ideas you have ever heard, I call it the worst. The idea of Therow's going around the world, not just to the Japanese, and somehow by divine guidance figuring out what your trade deficits should be with Italy and Spain and Brazil and Mexico and Japan is just a kind of fantasy of—let me call it a Ph.D. fantasy that in the real world simply won't work. Those change over time. We had a plus balance of trade with Europe for several years in a row. It just ended last year. Now they have got a plus with us. Who decides what economist or group of people are going to sit there and decide, "Well, over the last 20 years it has averaged this, and so forth, so, maybe it ought to average this."

With the dynamic changes going on, both in their economy in the future, I will guarantee the Europeans are going to have to go through some dynamic changes. We are.

The South Americans are, if they are going to pull out of that hole. I just don't see any practical way for anybody to sit down and say, "Well, I have the number that is going to work," and use that around the world. It is just impossible.

U.S. TRADE ALTERNATIVES

Senator RUDMAN. Let me respond by saying that that, of course, is the criticism of Therow's plan, by you and others. I don't disagree that it has its faults. I just suggest that maybe we should consider this idea, or something similar, as a pilot program. I don't think it is too difficult to figure out what the balance ought to be with Japan. It would not surprise me at all to see this Congress, a year or a year and a half from now, particularly in the midst of an economic decline, continued imbalance of trade with Japan, continued loss of jobs and the inability to compete—impose that kind of a burden, as imprecise as it might be, on that one trading partner. Then see how long it takes for them to come to the bargaining table and get serious. I think it is going to take that.

Secretary BALDRIGE. I can say, Senator, just very briefly, when I called telecommunications a watershed, I meant it. We have gone all out on this. Everyone knows the problem is serious. Believe me, the administration and the Japanese know it is serious. That makes it unlike some of the other negotiations we have had. When I called it a watershed, if we don't get this to work, as far as I am concerned, I will be open to listen to any remedy that comes up.

Now, that doesn't mean endorsing any one of them.

Senator RUDMAN. I understand.

Secretary BALDRIGE. I think we are going to have to do something. We just can't sit here and let that happen.

Senator HOLLINGS. Can you give us a lunch down there on April 2? We will all be down to see you. That is what will happen; you know it.

Secretary BALDRIGE. First, you have to go through this interagency process with all the departments you know and love so well. My voice may be the only one.

Senator HOLLINGS. At least we have your voice. We want to bolster it. That is what Senator Rudman and all of us want to do. You have had your position and made it clear over the past 2 years of trying.

Senator RUDMAN. Mr. Chairman, if I might, Mr. Secretary, you said a number of things during your presentation since I have been here, but the thing that you said that, to me, is the most powerful argument against anything really happening is the institutional structure of the Japanese political process. The tobacco story, and we don't grow tobacco in New Hampshire, is an interesting story of how such a very small economic unit within Japan can exert such enormous pressure on that government.

The fact is, there is very little political courage in the Diet to offend any of these groups. I don't think that you are going to have very much success. They may throw you a bone with telecommunications. I tell you, if there are any Japanese people listening, I am going to make a prediction that this Congress has had it "up to here." When it comes "up to here," we won't pay much attention to the President, the administration, anyone. There will be a strong bipartisan coalition. You are going to wake up and the ports will be closed. I believe that.

Senator LAXALT. Senator Bumpers?

VALUE OF U.S. DOLLAR

Senator BUMPERS. Mr. Secretary, the dollar is being hammered pretty hard the last 2 days. My guess is it will continue to be hammered. I have always felt this was something that was going to reverse itself. I think Europeans have been really exasperated and frustrated and down right angry about the dollar staying so high, even though it helps them a lot in one way. Do you have any studies to indicate how much additional trade the United States will enjoy based on a percentage, based on the value of the dollar?

Secretary BALDRIGE. No, but we have made some studies and other people have, too. I think we could, with reasonable accuracy, predict that if the dollar went down by, let's say, a minimum of 25 percent, just by and large American industry could defeat it. Even though the dollar has gone up 40 to 50 percent since 1980, that was from a very low point. Even taking that figure, our industries have cut their costs by as much as a third, they are close to breaking even. By and large, the profit in the dollar, we can't say the American credit is worldwide. You always talk about competition outside the United States, Senator. As you know, I think the point is overlooked too much that 75 percent of all goods manufactured in the United States are subject to import competition. We are fighting on Main Street, not over in India or Japan, not only India and Japan, but the rest of the markets outside. We are fighting against imports.

Our exports went up 7 or 8 percent last year. Our imports went up 26. If you look at manufactured imports, they went up to about 30, 33 percent. That is taking jobs away from U.S. workers that could have been employed in this kind of recovery.

Senator BUMPERS. Did you see the study released last week which states that the dollar was inflated by at least 40 percent and that over the past 4 years we lost at least two million jobs as a result of our trade imbalance?

Secretary BALDRIGE. I didn't say that.

Senator BUMPERS. I am talking about a study that the Data Resources, Inc., did last week.

Secretary BALDRIGE. Oh, I see. The dollar has gone up, on the average, I guess in world currency probably closer to 50 percent since 1980. The 1980 is not the best benchmark because it was low. But at any rate, the dollar has gone up very, very strongly. That trade imbalance that we have, at least half to do with the dollar has cost this country at least a million and a half jobs since 1981. It is costing us the trade deficit now, is costing us somewhere around 2 percent of our potential growth of GNP, 2 to 2½ percent. We would have a higher GNP by that amount had we had a lower trade deficit.

FREE TRADE VERSUS PROTECTIONISM

Senator BUMPERS. Our trade deficit with Japan last year was about $38 billion, almost twice what it was in 1983. Now we are going to allow this. We are taking the import quotas off on automobiles. I think this may have been discussed and I don't want to belabor this, but what are we getting in exchange for that?

Secretary BALDRIGE. Briefly, there are two schools of thought of the administration. This was assuming the VRA is going to be lifted. One, we should ask for specific quid pro quo that whether it be citrus or telecommunications or processed wood, if we did this, if we do this, "You do this." I was on the other side, and that is the way that the President finally came down, that this was too important a move for us to waste our power on just one center. That removed the last significant barrier to Japanese trade in the United States. We ought to use that for everything. That VRA lifting should go across the board on quid pro quo. We want the Japanese to open up their markets, and we have removed the last significant barrier now. So it is not just telecommunications; not just electronics, it is across-the-board.

Senator LAXALT. Excuse me a moment.

Senator Hatfield is issuing a distress call on the markup on the MX.

Senator BUMPERS. I sent a proxy over. We have been hearing this now for I don't know how long and I have been a free trader. I have opposed domestic content legislation, but this administration is about to make a protectionist out of me, even though I thought it was a bad idea, from Smoot-Hawley all the way down. When I ran for Governor in 1978, we had 28 shoe manufacturing plants in my State. Today, we have 12. We have lost about five in the last 2 years.

I went down to the International Trade Commission in 1980, and I pleaded to hold shoe imports to just 50 percent, which is what it was right then. "Give us a little time to modernize, robotize our plants so we could compete with dollar and a half labor." It was just summarily, summarily dismissed.

Last year, I went back down. At that time I was down there last year, we were up to 70, we are right now, at this moment, we have gone from 50 percent, when I was down there in 1980 until this moment, non-rubber footwear imports in this country represent between 70 and 75 percent of all sales.

My question is: At what point? Does it have to go to 100 percent? At what point do we do anything to save those jobs? I think some of these things become a matter of national security. There isn't any question but at the rate we are going, 100 percent of all the non-rubber footwear in this country will be imported.

My question to you, Mr. Secretary, is, at what point does the International Trade Commission or do you, personally, say, "Enough is enough"?

Secretary BALDRIGE. ITC has that responsibility on the industry. They have said in the past the footwear industry needed help. They got, I forget how many years now, 2, 3 or 4 years to work it out; some of them did. You are seeing the small and less-efficient ones go under. You are seeing some big ones stay. They are doing that by a combination of manufacturing and importing. I can't, I'm not in a position to comment today on when does that become a question of national security.

Senator BUMPERS. I'm not that hot about that particular issue, but I am concerned about jobs in this country.

Secretary BALDRIGE. If you have plants that are unable to compete, what we do is we start——

Senator BUMPERS. How can we compete against $1.50 labor?

Secretary BALDRIGE. We do it by automation in a lot of industries. We do it a lot. I understand that is a terrible problem in that footwear industry. We are going through a readjustment process here that I don't see how you guarantee jobs in all the industries. It is just simply not possible with some of our competition. They have not just lower labor costs, they have lower raw material costs.

Senator LAUTENBERG. Lower standard of living.

Secretary BALDRIGE. Lower standard of living. Do we want to go back to Smoot-Hawley?

Senator BUMPERS. I don't want to go back to Smoot-Hawley, but Fritz is an expert on this. We lost about 2,000 jobs in my State, in one day, 2,200 jobs.

Senator LAXALT. Shoes?

Senator BUMPERS. Textiles.

Who makes half or more of corduroy in this country? I am just really terribly concerned about it. I am about to re-evaluate all my positions. I had an economics minor that has turned out, up here, not to be worth a damn to anybody.

[Laughter.]

Senator BUMPERS. I learned more in one or two issues of Business Week than I learned in business school. Which brings me to another point.

FOREIGN FINANCING OF THE U.S. DEFICIT

Why is it all of our economic theories about deficits causing such inordinately high interest rates which, in turn, would cause people abroad to invest in this country. I mean, most of us go out and make speeches and say we are financing our deficit with money from Western Europe, which we are. But in the past 3 years, as deficits have gone out of sight, the interest rate has declined, and at the same time, even though interest rates have been fairly steady and interest rates are as high as they are here, foreigners have not taken their money out of this country? All that defies economic theory we have always based all our assumptions on around here. How long are the Western Europeans and everybody else going to leave their money here?

Secretary BALDRIGE. I think you can find——

Senator BUMPERS. Do you agree we are financing our deficit to a considerable extent with foreign money?

Secretary BALDRIGE. Absolutely, 50 percent.

Senator BUMPERS. Do you consider it dangerous?

Secretary BALDRIGE. Extremely dangerous. I don't think we ought to live with it. You can't live with it. I don't think the economic theory has been defied. It is just that temporarily, there has been a great imbalance in the United States recovery in this fashion and the rest of the world.

I may not make this point fully, Senator, but last year the U.S. economy went up by 7 percent. The European growth rate is close to 2 percent, 5 percent difference in our GNP growth rate.

This year, the Europeans will get close to 3 percent and we will be at 4 percent, 1 percent difference. That is why I think we will start to see the dollar come down in the latter part of this year.

I agree that this will build up if you essentially say the dollar is going down because of that economic conversion. When we had that strong difference, there were just so many more opportunities to invest in the United States on the equity side of it; in addition, our real interest rates are still too high.

You made the point that the economy is going ahead, but real interest rates for long-term money have not gone down. As a result, that becomes interest because we have gotten into the worldwide financial markets.

Senator BUMPERS. Have you ever talked with the President about real interest rates which we talk about around here? I got the impression that he doesn't understand real interest rates.

Secretary BALDRIGE. He does, and I have talked to him, and I have talked to him just the way I am talking to you. We are talking about getting shaped up so we can keep this expansion going. Obviously, you don't want to overlook what has been accomplished. It has been a remarkable accomplishment to get the economy going like it has been, pumped up. Now we have got to think about following this, Senator.

There is nothing engraved in stone that says that $100 billion from abroad has to keep coming in. That is free money that can go anywhere it wants. If that were to stop coming in, we would have to go into straits in order to straighten out this deficit.

Senator LAXALT. That is a core question, Mr. Secretary.

Following what Senator Bumpers says, at what point are we in a danger of this money leaving our safe harbors?

Secretary BALDRIGE. I think we are going to begin to see it the latter part of this year.

Senator LAXALT. Why? That means if we don't do what we should do on the deficit——

Secretary BALDRIGE. Senator, say you were a German or an Englishman or Mexican or whatever and had some money to invest and you looked around the world, last year you would have put it in the United States. Interest rates were somewhat higher than every place else. The GNP was growing 5 percent faster than anybody else's, practically. You put your assets here. This year, you are starting to think about it. The Germans are coming back; the Italians are coming back; the Japanese are a good marketing investment, and the United States, instead of growing at almost 7 percent, 6.8 percent, is now growing at 4 percent and the budget deficit isn't settled. So now you have got a 1 percent difference in the growth rate and automatically, that uncovers some more opportunities relative to the amount of opportunities in the United States, which have come down somewhat because of this expansion maturing.

Senator LAXALT. On the equity side, as well.

Secretary BALDRIGE. On the equity, as well.

On interest, we haven't seen that happen yet. But if we want to get the dollar down, we ought to get the budget deficit down.

Senator LAXALT. Are these mainly institutional people who are investing here?

Secretary BALDRIGE. All kinds.

Senator LAXALT. All kinds?

Secretary BALDRIGE. This is an instant investment world, believe it or not, whether you are an Arab with some money to invest or a German or an institution or a pension fund.

Senator LAXALT. Technology has done that?

Secretary BALDRIGE. You can punch on the computer and invest it anywhere; it is just instant cash.

SMALL BUSINESS ADMINISTRATION

Senator BUMPERS. Mr. Chairman, I have one last question for the Secretary. It deals with if the President's proposal to tar heel Small Business Administration to not move, but leave that function in commerce. The only thing that Senator Weicker and I have asked for in the bill we have introduced is the loan program, the loan guarantee program. We are eliminating the direct loan program, eliminating a lot of things.

Of course, all SBA does anymore is to guarantee loans to small business. If you eliminate that, you have eliminated, as far as I am concerned, about all the help we give small business in this country. So what kind of department would you envision in commerce, and what would you do for small business? Do you believe in small business?

Secretary BALDRIGE. The central thing that we would continue is the advocacy program, because that means that the small business gets represented in all government purchasing and kinds of growth projects. Besides the advocacy rule, there would be 8a program for minorities that is essential, that we think does some good.

But on the loans to small businesses, that affects less than 1 percent of the economy, and it just didn't seem to make sense to try and help 1 percent at a time when we are trying to cut the budget.

Senator LAXALT. Are you talking direct, guaranteed or both?

Secretary BALDRIGE. Those were——

Senator BUMPERS. We have proposed to eliminate direct. Nobody is disagreeing about direct loans.

Senator LAXALT. So the 1 percent figure that you are talking about then would be purely on the guarantee side?

Secretary BALDRIGE. On guarantee.

Senator BUMPERS. What is wrong with helping 1 percent that can't get help any other way?

Secretary BALDRIGE. Nothing wrong if you can afford it, Senator. You know, we are looking at a $200 billion deficit. If we had a plus, I would look at that and a lot of other programs in a different way. But how can we keep on making an exception here and an exception there and an exception here? I don't know. I just don't think we can do it and get the job done overall. We keep on making exceptions. I have tried to do that at the Commerce Department, and we have cut that since Carter's last year by 30 percent, if this projected budget is taken.

Senator BUMPERS. Are you not persuaded by statistics, for example, that just 10 corporations that I can name for you, just 10 out of the roughly 5,000 a year who get loans, Apple Computer, Cray, Digital Switch, pay $200 million a year in taxes and most of those companies, Federal Express, would never have made it? They would have gone under if it hadn't been for the SBA. Just those 10 companies pay $200 million a year in income taxes. Is that not persuasive?

Secretary BALDRIGE. Well, you have to stop and think. Persuasive isn't looking at the whole picture. Is it true that Apple Computer would not have made it without an SBA loan?

Senator BUMPERS. The president of the company said he wouldn't touch the SBA with a 10-foot pole, but he did. In the Marine Corps, we say, "Pull up the ladder, Jack, I'm on board." That is the truth; he might have well gone under.

Secretary BALDRIGE. I have seen venture capital firms proliferate to take care of such opportunities. I just don't know that they couldn't have gotten that from venture capital. I do know most of those small business loans, they go to restaurant people, bars and grills, dentists, lawyers.

Senator BUMPERS. Let's just provide legislation that bars and grills and restaurants and hairdressers can't have any of this money.

Secretary BALDRIGE. How about lawyers?

Senator BUMPERS. That is fine, and I'm a lawyer.

Senator LAUTENBERG. Pull up the ladder, Jack.

[Laughter.]

Senator LAXALT. He is on board.

Senator BUMPERS. Come to think of it, I have two sons just starting out. We may have to rethink that.

[Laughter.]

COASTAL ZONE MANAGEMENT

Senator HOLLINGS. Mr. Chairman, I have a final question about the pending rescissions. If the Congress, Mr. Secretary, makes an exception, would you administer the policy of the Congress? I know that is a twisted question. Apparently, the Acting Administrator of NOAA, in a meeting with those concerned with Coastal Zone Management, which bears on all the coastal States talked about the rescission being sent up. There was a discussion about if Congress does not approve the rescission, the acting Administrator alluded, "Don't worry about the Congress. Whether they approve or disapprove, I am going to drag my feet and not fund the program. You can forget about it."

Secretary BALDRIGE. I didn't hear him make that statement.

Senator HOLLINGS. Will you administer the program?

Secretary BALDRIGE. In any event, that is the law of the land. I will administer it fully, absolutely.

Senator HOLLINGS. Thank you. Thank you very much.

Will you tell him that? I will mail him a copy of this testimony.

REAL INTEREST RATES

Senator BUMPERS. One other observation. We are talking about real rates and interest rates. I was asking you to discuss that with the President so he understands it. In your list of all the candyman things about how wonderful things are, I see you say interest rates are one-half higher than 1980 levels and no mention of real rates. In the future, in your testimony, put a parenthesis there saying, "Real rates are still as high as they ever were."

Secretary BALDRIGE. They sure are. I will talk to the writer about that. [Laughter.]

Senator LAXALT. Senator Lautenberg?

COCOM

Senator LAUTENBERG. Mr. Secretary, a quick observation. You said the watershed level; it looks almost like a sieve watershed than a watershed in terms of how we are doing there. You might be one of those favorite people who if you lose your job, you get more pay. That is, the job protection is not the one that motivates you, I know that.

I want to ask a question about COCOM, which is the Coordinating Committee Multilateral Export Control. I think it is fair to say that the concerns that we have are that our allies and trading partners who are members of COCOM often sneak beneath the tent while we are protecting the Treasury. I have a few questions about the export control regulations related to computers, softwear, and switching equipment. These regulations amend the commodity control list and are intended to implement a COCOM agreement on multilateral controls reached last July.

Have any of our partners issued regulations that fully implement this agreement? Can you tell us?

Secretary BALDRIGE. I don't know whether they are all actually issued. I know they have all agreed to work on them and do it. We have, I must say, Senator, a much better feeling about how that COCOM operation is working now than we did a year ago; we did see some results on cooperation more fully than we have before, both in processing and in their willingness to actually want to keep our technology. We can help that further. I don't mean to make a speech to answer your statement, but we can help that further in my opinion, very much help it, if we would go through that list from our side and throw out a lot of stuff at the bottom that clogs up the flows.

Really, the state-of-the-art has passed by and we don't need those controls any more. It is difficult to get agreement on that. But I think that would be a great plus if we did. Then we could concentrate on the stuff at the top.

Senator LAUTENBERG. I think that is certainly a part of the problem. I was amused when I first arrived in the Senate in a hearing that we had to hear that computer equipment brought to market in 1965 that my old company used was still on the prohibited list. We found out, as I understand it, that one was sold abroad and one got in Soviet hands. The way we found out is when it was returned for repair and service and someone caught it coming back. So we do have to kind of clean out the pipe.

Nevertheless, we are in a position where often, where we make a decision here that is supposed to be supported by our partners in COCOM, and we find out that they are a little bit slow in reacting, not to the marketplace but to the agreement that we have.

What date do you expect that all the members will have their regulations in place? Is there a commitment to have them in place?

Secretary BALDRIGE. Yes, but I don't know the date. I would be glad to get that for you, Senator. I don't think Bill Archey is here.

Senator LAUTENBERG. I think the date, I wanted to get it on the record, and I think the date is January 1, it was January 1, 1985. Does that sound like the date? That is the date we agreed to.

Secretary BALDRIGE. Yes, that would sound right.

Senator LAUTENBERG. So we are considerably past that date and we are still waiting.

Secretary BALDRIGE. I didn't mean by my first statement that they hadn't done it. I mean I don't know. I know they agreed to do it. I don't know whether all of the regulations are actually in place now. I will find that out for you.

[The information follows:]

COCOM REGULATIONS

Each COCOM member agreed to make the rules effective on January 1, 1985. As far as we know, no other COCOM member has published the complete set of agreed-upon regulations. Although each COCOM member is obligated to enforce the rules as of January 1, the publication date is left to the discretion of each member.

DOD-DOC COOPERATION

Senator LAUTENBERG. We still have the debate, don't we, between DOD and let me call it the marketplace in terms of——

Secretary BALDRIGE. I suppose that will always go on. Between Commerce and DOD, we have signed a memorandum of understanding on what we think is fair and we can live with. So I think that kind of cooperation is improved. We are also, as you know, able to get this computer agreement which we all think is a good agreement, through COCOM. We are also making some progress, I think, with the Chinese cases that are really over half of COCOM's cases now. Those are on hold up there that we are speeding up. We are now able to work better with DOD now than we were before. But there will always be that.

Senator LAUTENBERG. The one thing, of course, we all want to do, is maintain our security as rigidly as we can. On the other hand, we are faced with imposition of standards at times that really don't make sense, equipment that can be bought in the local retail store and that kind of thing.

Secretary BALDRIGE. Absolutely. And we have set up and just announced a foreign availability section in the Commerce Department where we will check whether items that we have on the control list are actually available in sufficient quantity and of sufficient quality so that it is not doing us any good to ban them unilaterally. That is the first time the U.S. Government has ever done that, and I think that will show some results.

COCOM STAFFING

Senator LAUTENBERG. Just a question. How big is that COCOM staff now? Do you know?

Secretary BALDRIGE. Very small.

Senator LAUTENBERG. Twenty-six people?

Secretary BALDRIGE. Yes. It is less than 50 people.

Senator LAUTENBERG. Is it enough to do the job and process the material that comes before them and get back in timely fashion?

Secretary BALDRIGE. That is a hard question to answer yes or no. I would like to see more people on. This is the International Board now.

Senator LAUTENBERG. Yes, right.

Secretary BALDRIGE. Obviously, you can't control how many people each has on it.

Senator LAUTENBERG. Some kind of a standard.

Secretary BALDRIGE. It gets overworked sometimes, and it has been overworked particularly with the influx of cases from the PRC.

Senator LAUTENBERG. And sometimes for our partners, slower is better, I guess?

Secretary BALDRIGE. In some cases, in some partners, that is true.

Senator LAUTENBERG. I wanted to ask if you would provide the Committee with the COCOM Department member regulations when and as they develop?

TELECOMMUNICATIONS EQUIPMENT IMPORTS

I want to close on one note, Mr. Chairman. That is, very briefly looking at a report developed by Mr. Sullivan from the Department. He, in the table that he presents, just the reminder is so stark about where we are in 1984. We exported telephone-telegraph equipment, $26 million worth of equipment and imported $952 million. The imbalance is a net negative of $926 million. That is the one thing that I know we have to do, and I respect your views. You have been in the business world. You know what it is like out there. You have also studied the mechanism in Japan, I think. And despite their willingness, the niceties of the prime minister, we are not getting anywhere. The shot across the bow has to be so loud that it shakes their timbers. Otherwise this is going to go on and on. When we talk about this kind of business, Mr. Chairman, when we are in the information era and no one can deny that that is the way the world is going and that is the only advantage that we seem to have in terms of product, to see it evaporating before our eyes because they erect barriers we can't jump, it is a problem. I would urge you, Mr. Secretary, while again, we don't want to be unfair, create trade wars, and so forth, the fact is, the rules have to be the same on both sides.

Thank you, Mr. Chairman.

Secretary BALDRIGE. Thank you.

Senator LAXALT. I thank the Senator. I don't believe I have any more. This has been a very provocative, stimulating discussion. We certainly covered the waterfront. You handle yourself, as you always do, Mr. Secretary, very well.

Mr. Brown, Nancy, do you have anything you would like to offer the Committee at all?

[No response.]

SUBMITTED QUESTIONS

Senator **Laxalt**. There will be, apparently, several written questions submitted to you. Perhaps if you can get back to us on that?

Secretary **Baldrige**. I would be pleased to.

Senator **Laxalt**. Thank you very kindly.

We will take a couple of minutes and then we will turn to ITC.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR LAXALT

Carryover Balances

QUESTION:

For those funds available without fiscal year limitation, include FY 1984 carryover balances in each appropriate account in the Commerce Department; the reasons for the carryover; intended uses in FY 1985; and obligation levels for these funds as of April 1, 1985.

ANSWER:

The following tables provide the requested data on unobligated balances carried forward into FY 1985. Dollar amounts are in thousands.

Bureau and Appropriation	Amount Available in FY 1985
General Administration	
Salaries and expenses...............................	$3,700

Source of Carryover

- o Funds were provided in a 1984 Supplemental to replace the telecommunications system at the Herbert C. Hoover Building with a government-owned system designed to reduce associated operating and equipment modification costs.

Use of Funds

- o These funds were made available to purchase a private-branch-exchange (PBX) telephone system for the Herbert C. Hoover Building to replace existing service and equipment and to take advantage of several cost saving techniques. Deregulation to the industry has enabled the Department of Commerce (DOC) to purchase the currently installed telephones at a significant cost advantage. Most of the desired improvements are now available as a result of technological enhancements to the Centrex II service and improved cooperation of the local service provider. Although Commerce will still pay annual recurring costs for the Centrex system, these costs will not approach the $3.7 million level for several years. The telephone service in the building is expected to remain adequate for the foreseeable future, and the $3.7 million has been requested for rescission.

Bureau and Appropriation	Amount Available in FY 1985
General Administration	
Special Foreign Currency Program............	$1,156

Source of Carryover

The $1,156,000 available in FY 1985 was appropriated prior to 1985 but not obligated according to plan because support and approval from the Government of India for proposed projects have not yet been obtained.

Use of Funds

All Special Foreign Currency funds presently available to the Department are being used by the National Bureau of Standards. Current efforts in this program are centered in development of techniques for measurement and testing, collection of important data in physical science and technology, improvement of basic understanding of material properties and behavior, conduct of research in building technology, and acquisition of relevant literature translated from Russian and Japanese into English.

As of April 1, 1985, approximately $122,000 has been obligated.

Bureau and Appropriation	Amount Available in FY 1985
Economic Affairs: Bureau of the Census	
Periodic Censuses and Programs.............................	$17,845

Source of Carryover

- $9,452 thousand for the Economic Censuses

Complete administrative records were not received from the Internal Revenue Service (IRS) as scheduled, delaying their processing until Fiscal Year 1985. Also we experienced difficulties with the estimation and imputation programs for the Truck Inventory and Use Survey, delaying many state publications release dates to the first half of FY 1985.

- $34 thousand for the Census of Governments

Revised edit specifications delayed the publication of SMSA and Labor Relations reports to the first quarter of Fiscal Year 1985.

- $3,841 thousand for the Census of Agriculture

In FY 1984, concentration was placed on the early release of preliminary reports and Volume I, resulting in the delay of final reports and publications. There was a delay in the documentation of the 1982 census cycle which slipped some 1987 census planning from FY 1984 to FY 1985. An equipment order scheduled for last year was not obligated.

- $51 thousand for the Demographic statistics programs

Other program priorities, last year, delayed the tabulation and printing of 1980 Subject Report Series.

- $42 thousand for Geographic Support

Funds were held in abeyance pending contract negotiations with the U.S. Geological Survey.

- $4,425 thousand for Data Processing Systems

Not all procurements were awarded on time in FY 1984.

Use of Funds

Senate report number 98-514 provided that $5,000 thousand of the 1985 budget request be funded from carryover funds. Of this amount, $3,000 thousand was allocated for Economic Censuses and $2,000 thousand for the Census of Agriculture. Total carryover has been applied as follows:

- Economic Censuses -$9,452 thousand: The Bureau will complete the processing of administrative records, Truck Inventory and Use Survey and the release of all preliminary and many final Census publications. As of April 1, 1985, approximately $9,000 thousand has been obligated.

- Census of Governments -$34 thousand: These funds are being used for the publication of SMSA and Labor Relations Reports. As of April 1, 1985, $26 thousand had been obligated.

- Census of Agriculture -$3,841 thousand: The carryover funds in excess of the $2,000 thousand, being used to cover this year's appropriation, are being used to cover the work that was delayed in FY 1984. As of April 1, 1985, $2,300 thousand had been obligated.

- Demographic Statistics Programs -$51 thousand: These funds were used for completion of the 1980 Decennial Census Publications. The entire $51 thousand was obligated by April 1, 1985.

- Geographic Support -$42 thousand: The $42 thousand was obligated by April 1, 1985, to support continued efforts of the cartographic coordination contract with U.S. Geological Survey.

- Data Processing Systems -$4,425 thousand: The procurement process will continue to replace outmoded terminals as well as acquire interactive units and to replace or refurbish outmoded tape drives and controllers. The disk subsystem was obligated in January against these funds. $1,965 thousand has been obligated as of April 1, 1985. The balance, $2,460 thousand, is expected to be obligated by the end of FY 1985.

Bureau and Appropriation	Amount Available in FY 1985
Economic Development Administration	
Economic development assistance programs.................	$26,000

Source of Carryover

- On August 22, 1984, supplemental funds in the amount of $26 million were appropriated to the Economic Development Administration. The lead time required for federal procurement did not permit obligation before the end of FY 1984.

Use of Funds

- As shown in the appropriation language, $7 million is for a grant to the Institute for Technology Development in the State of Mississippi, and $19 million is for a grant to Boston University in the State of Massachusetts for the construction and related costs of the university engineering and technical training center.

  To date, only $2 million of the $7 million specified for the Institute for Technology Development has been obligated. The balance of $24 million has been proposed for rescission.

Bureau and Appropriation	Amount Available in FY 1985
International Trade Administration	
Operations and Administration....................	$3,318

Source of Carryover

- ITA's carryover resulted from deobligations of $243 thousand from prior year contracts for the Textile Information Management System (TIMS); Trade adjustment assistance loan and interest repayments of $583 thousand; and the balance of $2,492 thousand from delays in filling vacant positions in other ITA programs, the majority of which was in U.S. and Foreign Commercial Service due to the inherent delays in filling overseas positions. The estimated obligations through March 31, 1985 are $2,792 thousand.

Use of Funds

- o ITA is using $2.0 million to fund base programs in 1985 per Congressional directive. The remaining balance of $1,318 thousand will be used to absorb a portion of the January 1985 pay raise costs of $2,378 thousand.

Bureau and Appropriation	Amount Available in FY 1985
Minority Business Development Agency	
Minority Business Development	$810

Source of Carryover

- o MBDA's 1984 recoveries were nearly $2.0 million, more than twice the amount recovered in most years, including $789,022 recovered in August and September. There was not sufficient time to review and approve funding proposals in order to obligate these funds in FY 1984.

Use of Funds

- o Funds are used to support special projects which contribute to MBDA's program objectives. All 1984 carryover had been obligated as of March 7, 1985.

Bureau and Appropriation	Amount Available in FY 1985 ($ in thousands)
National Oceanic and Atmospheric Administration	
Operations, research and facilities	$ 9,629
Coastal zone management	10,415
Construction	2,680
Coastal energy impact fund	5,448
Federal ship financing fund	219
Fishing vessel and gear damage compensation fund	5,315
Fishermen's contingency fund	4
Fishermen's guaranty fund	1,639
Foreign fishing observer fund	271
Promote and develop fishery products	5,817
Total	$ 41,437

Operations, Research and Facilities

Source of Carryover

The amount carried forward into FY 1985 represents less than one percent of the total budgetary resources available in FY 1984 and is due to late receipt of supplemental funding, delays in procurement and implementation of specific programs. The programmatic breakdown is as follows:

FY 1984 Carryover used for programs as appropriated ($9,629)

- Ocean and Coastal Programs - $2,145
  - Delay in awarding contracts for Ocean Climate Research ($80)
  - Supplemental funding received late in FY 1984 for Year of the Ocean research ($203)
  - Supplemental funding received late in FY 1984 for Ocean and Great Lakes Assessment and Services ($1,434)
  - Sea grant for Marine Resources Research and Development not awarded during FY 1984 ($78)
  - Study of Aeronautical Chart Service not undertaken during FY 1984 ($350)
- Marine Fisheries Resource Programs - $2,617
  - Protected Species Management in Pribilof Islands not fully implemented during FY 1984, due to receipt of supplemental funding late in FY 1984
- Atmospheric Programs - $2,379
  - Delay in awarding contracts for AFOS and ASOS in FY 1984 ($1,703)
  - Delay in implementing Colorado River Basin program in FY 1984 ($276)
  - Funding late in FY 1984 for radar installation at Paducah, KY; which identified funds for operating expenses in subsequent years ($400)
- Satellite and Environmental Data and Information Services - $637
  - Delays in contracting resulting in a balance for Environmental Satellite service in FY 1984 ($483)
  - Negotiation of two university cooperative agreements delayed in FY 1984 ($154)

- Executive Direction and Administration - $1,851
  - Actual cost of space usage and common services was less than anticipated for FY 1984 ($725)
  - Contracting efforts for Small Business Innovation Research were delayed in FY 1984 ($208)
  - Office of Budget and Finance contracting efforts for renovations and equipment upgrading were delayed in FY 1984 ($280)
  - Computer upgrading for National Capital Administrative Support Center was delayed in FY 1984 ($550)
  - Administrator's Distribution Fund ($75)
  - Holdings for payment of bad debts ($13)

Planned Use of FY 1984 Funds in FY 1985

The carryover into FY 1985 is planned for use in program areas as appropriated. The programmatic breakdown (which totals $9,629) is as follows:

- Ocean and Coastal Programs - $2,145
  - Ocean Climate Research for U.S./India Monsoon Program ($80)
  - Year of the Ocean ($203)
  - Ocean and Great Lakes Assessment and Services for detection of contaminants in the marine environment, GLERL facilities consolidation, and initial funding for the National Coastal Resources R&D Institute at Oregon State University ($1,434)
  - Sea grant for Marine Resource Research and Development ($78)
  - A-76 Study for Aeronautical Charting Branch ($350)
- Marine Fisheries Resource Programs - $2,617
  - Protected Species Management in Pribilof Islands
- Atmospheric Programs - $2,379
  - AFOS and ASOS contracting ($1,703)
  - Colorado River Basin program ($276)
  - Operating expenses for Paducah, KY radar installation ($400)

- o Satellite and Environmental Data and Information Service - $637
  - Navigational support of two polar orbiting and two geostationary satellites, METSAT, and other small requisitions ($483)
  - Negotiation of cooperative agreements with universities ($154)
- o Executive Direction and Administration - $1,851
  - Standard level users charge ($232)
  - Washington metropolitan area space consolidation ($165)
  - Word processing equipment ($100)
  - International Whaling Commission ($30)
  - Support for scientist to attend London Dumping Convention ($10)
  - Common services ($188)
  - Small Business Innovation Research program ($208)
  - Office of Budget and Finance for renovations, equipment upgrading, and contractual services ($280)
  - National Capital Administrative Support Center (NCASC) computer upgrade ($550)
  - Administrator's Distribution Fund ($75)
  - Holdings for payment of bad debts ($13)

The obligations of FY 1984 carryover funds through March 31, 1985 are estimated at $5,614 thousand. In addition, the following items, which total $4,015 thousand, are in the process of being obligated:

- o Contracts for Ocean Climate Research (U.S. - India Bilateral Agreement) will be processed in the near future - $40
- o Awaiting matching funds from the Year of the Ocean Foundation - $163
- o Solicitation for Offers for consolidation of the Great Lakes Environmental Research Laboratory was issued on March 26, 1985 — $350

- Contract solicitation responses for the detection of contaminants in the Marine Environment are presently undergoing technical review. Awards will be made upon completion of review - $834
- A contract is anticipated to be awarded in the next few months to perform A-76 related studies of the Aeronautical Chart Branch - $350
- Pribilof Island Program close out expense for the remainder of FY 1985 - $617
- The balance of contracts for Automatic Field Operations & Services will be awarded by Mid-May - $703
- Funding necessary for operating expenses for the Paducah, KY, radar installation for the balance of FY 1985 - $200
- The contracts for Phase I of the Small Business Innovation Research Program will be obligated in the near future - $208
- At the present time, equipment purchases for National Capital Administrative Support Center are in the procurement process - $550

None of the amounts brought forward are anticipated to carryover into FY 1986.

Coastal Zone Management - $10,415

Source of Carryover

Balance of funding available from Coastal Zone Management appropriations for previous years. The fund provides for administrative, management, beneficial use, protection, and development of the Nation's coastal zone by providing grants to states for management and planning of these coastal areas.

Use of Funds

The unobligated balance was transferred to the Operations, Research and Facilities (OR&F) appropriation to fund the Coastal Zone Management program in FY 1985 in the OR&F appropriation.

The obligations through March 31, 1985, are estimated at $8,120 thousand. The following items are in the process of being obligated:

- State Assistance Grants
  - Funds for State of Virginia pending approval of their CZM program - $1,000
  - Balance of grants not awarded to date for various states - $180

- Balance of Energy Impact Formula Grants which are anticipated to be obligated in the 4th Quarter - $1,115

Fishing Vessel and Gear Damage Compensation Fund - $5,315

Source of Carryover

Since FY 1981, the claims for losses and damages to fishermen's gear have been lower than anticipated, resulting in a large carryover. This carryover does not include $2,507 thousand of unappropriated funds.

Use of Funds

An appropriation is not being requested in FY 1985 or in FY 1986. The carryover is to be used to finance an estimated $2,475 thousand in obligations in FY 1985. The funds estimated to be carried over into FY 1986 are $2,840 thousand. The estimated obligations through March 31, 1985, are $900 thousand.

Fishermen's Contingency Fund - $4

Source of Carryover

The small carryover amount results from claims against the fund in FY 1984 being slightly lower than fees collected.

Use of Funds

The carryover has been used to cover claims under this program. The obligations through March 31, 1985, are $4 thousand.

Fishermen's Guaranty Fund - $1,639

Source of Carryover

The carryover is the result of payments of claims for previous years being lower than anticipated. It does not include $327 thousand of unappropriated funds.

Use of Funds

This carryover is necessary to cover any unforeseen claims since it is difficult to predict the amount of seizures of American fishing vessels in foreign waters in any one year. No carryover will be available for use in FY 1986. The estimated obligations through March 31, 1985, are $1,639 thousand.

None of the amounts brought forward are anticipated to carryover into FY 1986.

Construction - $2,680

Source of Carryover

These funds represent unobligated balances necessary to complete NOAA's Western Regional Center (WRC) in Seattle, Washington. This project is expected to be completed by the end of FY 1985.

Use of Funds

These funds are being used in FY 1985 for completion of the WRC. All budget resources available in FY 1985 are expected to be obligated and no carryover is anticipated at this time. The estimated obligations through March 31, 1985, are $1,440 thousand.

Coastal Energy Impact Fund - $5,448

Source of Carryover

These funds represent unobligated grants for various state assistance programs.

Use of Funds

All budgetary resources available in FY 1985 are expected to be obligated and no carryover is anticipated at this time. A total of $1.3 million in repayments to the fund are to be transferred to the "Operations, Research, and Facilities" appropriation. No obligations are estimated through March 31, 1985.

Federal Ship Financing Fund - $219

Source of Carryover

These funds represent unobligated balances from premiums earned and appropriations received in prior years.

Use of Funds

The portion of the carryover that is unencumbered by receivables is to be used for the payment of defaults. There will be no carryover of these funds into FY 1986. The estimated obligations through March 31, 1985, are $219 thousand.

Foreign Fishing Observer Fund - $271

Source of Carryover

This carryover results from fees being collected in advance to cover expenses of observers placed on foreign fishing vessels to collect scientific information regarding foreign catches and to monitor compliance with the provisions of the Fishery Conservation and Management Act (FCMA) of 1976.

Use of Funds

All of the above funds have been used to carry out this program in FY 1985. The estimated obligations through March 31, 1985, are $271 thousand.

Promote and Develop Fishery Products and Research Pertaining to American Fisheries - $5,817

Source of Carryover

The carryover results from delays in the processing of grants in FY 1984.

Use of Funds

This carryover is being used to fund grants necessary to carry out this program. The estimated obligations through March 31, 1985, are $5,817 thousand.

Bureau and Appropriation	Amount Available in FY 1985
Patent and Trademark Office	
Salaries and expenses..........................	$18,035

Source of Carryover

Fees: ($13,970)

- $11,918 thousand from excess 1983 and 1984 patent and service fee collections.
- $2,052 thousand from excess 1983 and 1984 trademark and trademark service fee collections.

Other Unobligated Balances: ($4,065)

- $1,430 thousand from management initiated economies in Office-wide overhead accounts and several program areas.
- $1,245 thousand from renegotiation of data base contract for patent and trademark printing.

- $746 thousand from non-apportioned deobligations from prior year accounts.

- $458 thousand from unobligated standard level users charges due to delay in acquisition of space.

- $186 thousand from automation.

Use in 1985

Fees: ($13,970)

- $11,918 thousand of 1983 and 1984 patent and service fee collections will be used to offset the 1986 budget request. A request is pending to defer use of these funds and excess fee collections of $4,075 thousand anticipated in 1985 until 1986.

- $2,052 thousand of 1983 and 1984 trademark and trademark service fees will be used in 1985 to meet the trademark pendency goals ("Plan 3/13") by funding the 1985 pay raise and an expected 1985 trademark fee collections shortfall. In addition, funds will be used to support trademark automation by contractual services to provide key entry and quality review of the trademark data base for in-house photocomposition and to acquire the digitized backfile of trademark images and text for the Automated Trademark Public Search Room.

Other Unobligated Balances: ($4,065)

The remaining 1984 unobligated balance (planned obligations less actual obligations) of $4,065 thousand has been obligated. The use of these funds follows:

- $527 thousand for trademark overtime to meet pendency goals ("Plan 3/13").

- $259 thousand in support of patent pendency goals ("Plan 18/87") for a compensation shortfall in Appeals caused by full staffing (as opposed to the use of examiner details) as mandated by P.L. 97-247, and the phasing in of a program to ensure receipt of new maintenance fees due early in 1986.

- $1,178 thousand in support of automation goals for contract modifications for T-SEARCH for Trademark operations, commercial data base services for patent examiner searches, renovation of computer space to house equipment to initiate Stage 1 of the Automated Patent System and for automation staff support.

- $1,231 thousand for increased cost of a variety of services to support Office programs and general housekeeping. The services include A-76 contracts for file maintenance, allowed files and patent copy sales; a Department exhibit on minority patent grantees; one-time security measures to ensure employee and public safety; and, mail and communication services.

- $100 thousand contribution to the World Intellectual Property Organization (WIPO) for training patent examiners of undeveloped countries.

- $770 thousand to partially offset the cost of the January 1985 pay raise in areas not supported by Trademark fees.

Bureau and Appropriation	Amount Available in FY 1985
National Bureau of Standards	
Scientific and Technical Research and Services....	$7,152

Source of Carryover

- o $2,994 thousand. These funds were appropriated for the purchase and installation of the Class VI Scientific Computing System.

- o $2,000 thousand. These funds were included in an FY 1984 supplemental appropriation for the procurement of a new telephone system at the Gaithersburg Site.

- o $948 thousand. These funds are from contracts not completed for computing standards in network protocols.

- o $1,210 thousand. These represent an accumulation of relatively small balances in the remaining research programs at the National Bureau of Standards

Use of Funds

- o $2,994 thousand. Earmarked funds for the Class VI Scientific Computing System include $638 thousand for site preparation; $693 thousand for telecommunications hardware; $760 thousand for graphics equipment and terminals, and $903 thousand for NBS's share of the Boulder Computer. These funds have been obligated or committed through March 31, 1985.

- o $2,000 thousand. The bids for the new telephone system are being reviewed and NBS expects to obligate the funds in the Fourth Quarter of FY 1985.

- o $948 thousand. These funds will be used to complete work in nine high-level network protocols. All funds have been obligated or committed through March 31, 1985.

- o $1,210 thousand. These funds are miscellaneous balances in the following programs and will be used for the same purposes.

Materials research	$293
Measurement research and standards	235
Engineering measurements and standards	391
Fire research	70
Competence	26
Central technical support	195

All of these funds have been obligated or committed through March 31, 1985.

Bureau and Appropriation	Amount Available in FY 1985

National Telecommunications and Information Administration

Salaries and Expenses....................................$1,020

Source of Carryover

- $137 - Domestic and Federal Policies

  Unobligated funds of $60 thousand resulted from contract slippage. The remaining $77 thousand resulted from unspent personnel costs due to hiring lags.

- $355 - International Policies

  Unobligated funds of $335 thousand resulted from contract slippage. The remaining $20 thousand resulted from unspent personnel costs due to hiring lags.

- $358 - Spectrum Management

  The Spectrum Efficiency contract, originally estimated to cost $480 thousand, actually cost $308 thousand, resulting in a $172 thousand savings for NTIA. The remaining carryover resulted from unspent personnel costs due to a lag in hiring and difficulty in hiring qualified engineers.

- $170 - Telecommunication Sciences Research

  The unobligated funds resulted from unspent personnel costs.

Use of Funds

- Strengthen policy support capabilities and absorb built-in cost increases which have not been funded because of the availability of carryover funds....................................$450

- Projects continued in FY 1985........................$313

  Spectrum Plans and Policies - international conference preparation and negotiation activities for the upcoming Space WARC....$197

  Spectrum Research and Analysis - preparation for the second session of the High Frequency Broadcasting Conference................................$116

  By applying carryover funds NTIA was able to fulfill its requirements for participating in these conferences without requesting an increase in appropriations.

- Amount to fund absorption of pay increase and related costs.................................$257

Through February 1985, $292 thousand of the unobligated balance has been obligated. It is estimated that $495 thousand will have been obligated as of April 1, 1985.

Public Telecommunications Facilities, Planning and Construction......................................$1,444

Source of Carryover

The unobligated balance is a result of recoveries of prior year obligations.

Use of Carryover

When money is recovered from prior year obligations, it is possible to be reobligated under specific conditions. First, under NTIA's authorization, the money must be given to an approved applicant from the fiscal year in which the money was appropriated. Second, a review of the applicants based on PTFP priorities will then determine the order in which qualified applicants can be funded.

As of April 1, 1985, none of the funds have been obligated. However, the initial review process has been completed and further reviews still need to be done before the money can be awarded. It is expected that this will be done by the end of the fiscal year.

General Administration

QUESTION:

The FY 1984 Annual Report of the Secretary of Commerce (p. 25) states that the "Department switched to the Agriculture Department's National Finance Center for personnel information processing and payroll services..." Has the Department submitted a reprogramming notification pursuant to this change? How does this relate to the supplemental request of $992,000 for conversion of the payroll/personnel system to a standardized computer base system?

ANSWER:

The statement in the FY 1984 Annual Report was in error. It should have said that the Department made the decision to switch to the Agriculture Department's National Finance Center, after reviewing existing Commerce systems, the costs of new or revised internal systems, and the capabilities of other agencies for servicing. Planning is currently underway. The supplemental request of $992,000 is to implement the change.

QUESTION:

In December of 1981, the Committee received a reprogramming notification to consolidate five personnel and payroll systems into a single system. Has this system proved inadequate? If so, in what way? The Department projected annual savings of $1 million and 40 positions due to implementation of this system. Have these savings been achieved? If so, indicate the savings each year and where the savings were reflected in the appropriate budget justification. If not, why should we accept the cost saving assumptions in the supplemental request?

ANSWER:

Upon receiving the Committee's approval to consolidate the Department's payroll and personnel systems in 1981, work began to implement the plan using the NOAA personnel and payroll system as the host system. The project involved three discrete steps:

- Systems modification and tasks to ensure that the NOAA system was capable of servicing Department management information needs as well as to accommodate the system growth entailed by the consolidation.

- Converting and loading the Bureau personnel and payroll data on the modified NOAA system.

- Transferring Bureau personnel and payroll staffs to the newly established Management Service Center, which is the Office of the Secretary unit with the charter to operate centralized payroll and personnel systems. A key element in this step was the training requirement to bring the staffs up to speed on the new system.

The consolidation project was conducted in two parallel efforts -- one for conversion of payroll systems and the other for personnel systems. By March 1983, 29,000 DOC employees were payrolled with the consolidated system -- that is, all employees except Census. On the personnel side, 21,000 employees were converted to the consolidated personnel system by January 1983 -- that is, all employees except Census, NBS and PTO.

During this time and as the Department gained experience in operating the NOAA-based systems, it became apparent that the deficiencies in the systems' basic design would result in an enhancement effort that was much more costly than originally expected. Outdated software, for example, resulted in such things as excessive ADP cost, the need for multiple payroll documents and labor intensive processing. Therefore, rather than undertake a lengthy and costly redesign project, an effort began to re-examine our consolidation strategy. Four options were considered:

- Correct the deficiencies in the existing system and pursue consolidation as originally planned.
- Select a different, "proven" system.
- Build an entirely new system.
- Obtain services from another Federal agency.

Because of costs and time criteria, the first three options were discarded. After extensive review, the Department decided to "contract" with the Department of Agriculture for use of their newly redesigned and integrated payroll/personnel system. We are now in the final stages of negotiation with USDA, and a Memorandum of Agreement between Commerce and Agriculture has been drafted that will implement the conversion. The schedule calls for USDA to begin to provide payroll/personnel processing services for selected Bureaus in 1985 with conversion completed by June 1986.

The Department's claim for saving 40 positions and $1 million was based on total consolidation according to the original plan. In fact, some small staff reductions in the personnel and payroll functions were achieved even in the face of the problems subsequently encountered. The decision to halt the project nullified our savings goals.

The projected annual savings of $700,000 beginning in 1987 when the conversion to the USDA system is completed, is based on our expectations of efficient services from a proven payroll/personnel system.

Economic Development Administration

QUESTION:

If the economic development assistance programs are continued in FY 1986 at the FY 1985 enacted level, what are the staffing and appropriations levels necessary to support the programs in the "EDA-salaries and expenses" account? If $130 million is appropriated for development grants only, what levels would be necessary?

ANSWER:

As shown on Page EDA-4, the 1986 base would be 400 full-time equivalents and $24,419,000. The 1986 base represents the resource requirements necessary in 1986 to carry out a program the same level as 1985, assuming enactment of a 5% pay reduction and other administrative cuts as proposed.

If EDA were appropriated $130 million in 1986, it would require approximately 248 full-time equivalents and $17,595,000. This computation is based on: (1) Total retention of the 80 full-time equivalents shown for Development Grants in the 1986 Revised Base; (2) A pro-rata reduction from the 1986 Revised Base for Direct Supporting Services and Executive Direction; this reduction is equivalent to the reduction from $200 million to $130 million or 35 percent; and (3) Retention of the remaining full-time equivalents as requested to ensure an orderly phase-out of programs being terminated. This amount is inclusive of the 5% pay reduction and applicable administrative cuts as proposed.

QUESTION:

On page EDA-24, the justification indicates an increase of $2,002,000 in Centralized Agency Support. Why?

ANSWER:

The $2,002,000 increase shown for Centralized Agency Support is the net effect of the total cost of separations ($4,230,000) less costs which would no longer be incurred ($2,228,000). This method of presentation results in the costs for the residual staff being shown separately so as not to distort the costs of continuing program execution.

QUESTION:

Early in the first Reagan Administration, EDA funded a feasibility study on a new International Cultural and Trade Center to be built in Southwest Washington. The results of that study have the enthusiastic support of the State Department and the D. C. Government. However, for the project to proceed, the Commerce Department must participate. For over a year, your Department has failed to make any decision on the project.

What is the reason for this delay?

Do you approve of the International Cultural and Trade Project?

If not, why not?

If you do approve, when will you convey that information to the State Department and OMB?

Does the length of time taken to make this decision in the Department of Commerce indicate a problem in the decisionmaking process?

ANSWER:

The feasibility study on the International Trade and Cultural Center in Southwest Washington was undertaken as part of the District of Columbia's Section 302(a) economic development planning grant. The Economic Development Administration (EDA) approved an amendment to the planning grant on September 7, 1982, which included $82,000 for a contract between the City and the Federal City Council for this feasibility study. A March 3, 1983 amendment to the planning grant included an additional $178,500 for this study.

EDA is the primary agency within the Department that makes grants for construction of public development facilities. To date, EDA has not received any proposal or application from the District of Columbia requesting its assistance in the development of this project.

Bureau of the Census

QUESTION:

On page CEN-90, the justification states that the goal of the 1990 Decennial Census is "to conduct (it) without increasing the per housing unit cost in 1980 dollars." Is it the Census Bureau's contention that the massive increases being requested for automation and geographic support -- presumably to increase efficiency and productivity -- will not decrease costs in real terms? If so, why not spend the funds on labor rather than capital?

ANSWER:

It is possible that the increases requested for automation and geography could decrease per housing unit cost in real terms. We do not have enough information as yet and, therefore, cannot commit to that goal.

Even if there is no decrease in per unit costs, the money should still be spent for capital rather than labor. There are two reasons for this. First, repeating the census the old way (emphasis on labor) could in fact increase per unit costs. Second, the capital expenditures will lead to improvements in the census (more control, quicker results, more accuracy).

QUESTION:

On budget justification page CEN-94, it states "Continuing research in FY 1986 should yield possible improvements in outreach and promotion techniques ..." What is the nature of this "research"? What is the cost in FY 1985 and anticipated cost in FY 1986?

ANSWER:

Proposed 1986 Research

Through the auspices of the Advertising Council, we plan to conduct research that would determine the attitude of various population segments to the decennial census, the best themes to build positive attitudes and change negative ones, the appropriate ways (television, radio, and so forth) to deliver these messages, and the best campaign themes for appealing to and soliciting applications from an adequate number of qualified applicants for employment. Answers to these questions are extremely important since the census is conducted by mail, and the higher the rate of voluntary participation, the lower the overall cost of the census.

We also plan to test various methods other than mass media for communicating these messages. This plan includes testing a Census Community Awareness Program to work through local community groups and leaders in delivering census messages; testing various approaches to working through schools, churches and other religious organizations; and making use of cable TV (especially local public access channels).

The projected cost of research in FY 1986 is $275,000.

There were no costs for outreach research in FY 1985.

QUESTION:

Please prioritize for the Committee the adjustments to base and program increases requested in pages CEN-99 through 102.

ANSWER:

All the program items on pages CEN-99 through 102 have been extensively reviewed and approved as high priority items by the Department of Commerce and the Office of Management and Budget. They may be grouped in two categories: Priority I Critical Items; representing critical maintenance and productivity enhancements to the basic ADP capabilities needed to support our planned cyclical program growth. The Priority II Discretionary Item represents an improved capability to display and disseminate the results of our mission programs. The list of items, grouped in these two priority categories, but not ordered within each priority category is as follows:

PRIORITY I

(CRITICAL ITEMS)	(000's)
Site Preparation	$ 100
"Bridge" Computer System	5,125
Field Automation	292
Geographic Support System	1,515
Printers	742
Mini-Computers	67
Computer-Output to Microform Device	84
Distributed Communications Processors	100
Uninterruptible Power Supply	54
Transition Support	250
Decennial Data Capture	1,013
Interactive Terminals	619
Data Preparation Division Program Automation	617
Office Automation	1,308
Univac 1100/62	182
Integrated Statistical Laboratory	80
Disk Subsystems	1,263
Publications Preparation	425
Printers	535
Geographic Support System	96
Integrated Statistical Laboratory	270
Tape Drives	1,377
Sub-Total	$16,114

PRIORITY II

(DISCRETIONARY ITEM)	
Graphics Development	$ 390

TOTAL ALL ABOVE...$16,504

Economic and Statistical Analysis

QUESTION:

The Department proposes to eliminate the Productivity, Technology, and Innovation program. Would this result in the elimination of the Office of Strategic Resources, as well? What are the full-time staffing and budget levels for this office in FY 1985? What remains in the base in FY 1986?

ANSWER:

Yes, the Office of Strategic Resources is proposed for elimination beginning January 1, 1986 and scheduled for completion by September 30, 1986. In FY 1985, the staffing and budget levels for the Office of Strategic Resources are $317,000 and 5 full-time equivalent positions. In FY 1986, the Congressional request estimate is $229,000 and 1 full-time equivalent position.

QUESTION:

Last year, the Committee denied increased funding for Commerce export enforcement activities due to the action of the Senate in passing our version of the Export Administration Act, which placed jurisdiction for enforcement of the Act in the Customs Service. This year, the Department has again requested $4.1 million for export enforcement activities. In December, Committee staff visited Commerce and Customs officials in Europe and found in some cases an almost total lack of cooperation between the agencies on export enforcement matters. Here in D. C. we find periodic articles in the newspapers describing this continuing turf battle -- the latest a leak from the Commerce Department on how Customs may have allowed military helicopters to be shipped to North Korea. (February 27, 1985)

--Doesn't such feuding only help potential enemies?

--How will acceptance of the budget request resolve this dispute?

ANSWER:

Commerce acknowledges that differences exist between its Office of Export Enforcement (OEE) and the U.S. Customs Service regarding export enforcement cases. We continue to work toward minimizing policy and operational differences. Both Commerce and Customs have made progress over the past year toward better cooperation and coordination. Commerce continues to make a good faith effort to carry out our enforcement responsibilities within the context of the Commerce-Customs Memorandum of Understanding and to promote enforcement cooperation.

Coordination and cooperation at the working level have improved and we have brought Customs into several Commerce cases to take advantage of our respective resources and talents. In Fiscal Year 1984, as a result of criminal investigations conducted by OEE alone and joint investigations carried out by OEE with Customs, 51 criminal cases were referred to the Justice Department. Criminal fines imposed as a result of criminal convictions exceeded $7.5 million and included a $3.12 million criminal fine against the Swedish firm Datasaab. This OEE case was the largest, collectable, criminal fine ever imposed in the history of export controls. Commerce has also worked hard to assist Customs in its processing of shipments detained under the Exodus program by expediting Customs requests for commodity classifications. An assessment we made last year indicated that Commerce is responding to 85 percent of Customs' requests within 48 hours and 95 percent within 5 days.

Such disputes cannot be resolved solely through acceptance of our budget request. However, the pending passage of the Export Administration Act (EAA) will diminish most of the reasons for such disputes. Commerce and Customs' FY 1986 budget request for export enforcement are consistent with the EAA bill which passed the House on April 16, 1985 and has been sent to the Senate for action.

QUESTION:

According to the Customs Service, Commerce has not made a request for a post-shipment license check in France in over a year. Why?

ANSWER:

Commerce's Office of Export Enforcement (OEE) requests very few routine post-shipment export transaction checks absent information indicating the possible unauthorized disposition of previously exported U.S. goods and technology. While post-shipment checks are a useful tool to verify that U.S. goods and technology are being used in accordance with the terms of the applicable export license, the success of our enforcement effort is due in large measure to implementation of our strategy to prevent export control violations. Because Commerce's enforcement strategy is grounded on prevention -- stopping strategic goods from leaving the U.S. in the first place -- we do many more pre-license checks than post-shipment checks. Pre-license checks are initiated to verify the legitimacy of a proposed export transaction and if a negative or derogatory response is received from our foreign service posts, the relevant export license application is rejected. In Fiscal Year 1984, OEE initiated 874 pre-license checks world-wide. As a result of these pre-license checks, we rejected or returned without action 230 export license applications involving controlled U.S. goods and technology valued at almost $200 million. We believe this vividly demonstrates that our strategy of prevention is paying handsome dividends.

QUESTION:

Committee staff was informed of a meeting held last fall in Garmish, West Germany, to tighten coordination between American agencies involved in export controls. According to a member of the

Foreign Commercial Service, the meeting mainly highlighted differences; there was "no definition of things to be aware of and things that need to be controlled"; "turf battles: between Commerce and Treasury were not resolved"; and "DOD intransigence" on establishing a reasonable list of items to be controlled was hindering cooperative efforts with our allies. Please comment on these problems, and on the existing process (if any) available to resolve them.

ANSWER:

The State Department-sponsored meeting held last fall in Garmish, West Germany, was the first meeting which brought together in one conference U.S. export enforcement and licensing officers and foreign service personnel from around the world to discuss problems/issues of mutual interest. By most participants' accounts, the conference was a success. It provided a much needed forum for an interchange to occur particularly between the Washington, D.C. attendees and those officers serving abroad. It is also only fair to point out that in certain areas, interagency cooperation and agreement has been achieved and that too was evident at the conference. One particular area was the COCOM List Review which has now been concluded and the results are attributable to the close cooperation of Commerce and Defense in particular but also our COCOM allies.

With respect to the specific points raised, the unidentified FCS officer's opinion does not tell the whole story. Much time was spent discussing "things to be aware of." Several speakers exhorted the participants to watch for specious commercial transactions and to report them quickly and to the right persons. The conference's mission was not to "resolve" anything. It made no policy decisions. Therefore, there was no discussion of "things that need to be controlled." Most of the participants were well aware of the general items which are subject to control. Anyone who was not was free to read the Export Administration Regulations. Similarly, this group, which was intentionally stripped of policy makers, had no authority to resolve various agency differences nor was expected to resolve such differences. The fact that the participants knew that agency differences and prospective lists of controlled items were not to be the focus of the discussions and exchanges contributed to the success of the conference.

QUESTION:

In London, Committee staff found great sensitivity to what the English perceive as American extraterritorial claims in the export control area. As a result, they were surprised to learn of Commerce contacts with Her Majesty's Embassy in Washington for specific information on export control matters and cases. Given the memorandum of understanding with the Customs Service, and the desirability of maintaining a low profile in this area, why is the Commerce Department dealing with investigations in Great Britain in this manner?

ANSWER:

Commerce frequently communicates with U.K. authorities, directly and through the British embassy in Washington, on export control matters of mutual concern. This channel of communication between Commerce and Her Majesty's government has greatly facilitated exchanges on the broad subject of export controls and is in keeping with discussions our Government has had with the U.K. government concerning communications on export control matters. To our knowledge, Her Majesty's government has not voiced any concerns regarding communications to or from Commerce.

Since the Commerce-Customs Memorandum of Understanding (MOU) was signed in 1984, we have not used our contacts with British officials in Washington to establish our own liaison for the initiation of specific enforcement investigations in the United Kingdom. Commerce is not precluded by the MOU from dealing with trade departments or ministries of foreign governments or their embassy personnel in Washington on matters of enforcement and licensing policy or on case investigations for which liaison has been established through Customs pursuant to the MOU. Consequently, we are responsive to legitimate and reasonable requests by foreign governments for assistance on export control and enforcement matters.

We agree with the Committee that certain press articles, which appear from time to time, tend to highlight our differences and serve little purpose in most instances. This is why Commerce is committed to carry out its enforcement activities in the spirit of the President's March 1984 decision that Commerce and Customs shall share export enforcement responsibility. As the President noted in that decision, both Commerce and Customs bring unique and complimentary expertise to bear on the problem of illegal technology transfer.

Acceptance of Commerce's increased budget request for export control enforcement will enhance the national security of the United States, engender further improvements in preventing and deterring violations of the Export Administration Act, and will provide further momentum for the dramatic enforcement results achieved by the Commerce Department's Office of Export Enforcement.

Export License Applications

QUESTION:

Considering the cost in terms of time and effort required to handle, record, review and approve export license applications to the West, would it be feasible and cost effective to fully automate the licensing decision apparatus from exporter to the government and back to the exporter?

ANSWER:

In our analysis of the entire process when we developed the Export Control Automated Support System (ECASS), it was feasible and cost effective to automate the entire process from exporter to DOC and back to the exporter for about 50% of the license applications. ECASS does address this automated concept.

QUESTION:

The President's decision to permit Defense Department review of certain export license applications previously handled only by the Commerce Department suggests that the Department cannot perform a creditable review on these applications.

What will the Defense Department do in terms of review that the Commerce Department was unable to do? Will Defense efforts overlap and thereby permit Commerce to cut back on some of its effort?

ANSWER:

At this point in time, analysis of Defense comments on license applications referred to them, consistent with the President's decision, reveals that nothing substantively has been added to the license review process that is not already being done by the Commerce Department. GAO has been studying this very issue and will publish their findings shortly. The work completed by DOD will not relieve Commerce of its substantive responsibilities in the licensing process; rather it will create more work (xeroxing, tracking, etc.) for this Department. Consistent with the President's Directive we have requested additional resources in the FY 86 budget.

QUESTION:

Considering that both Customs and Commerce investigate Export Administration Act violations, why is it necessary for Commerce to establish new field offices in U.S. cities already served by Customs' investigators? What is being done to coordinate Commerce-Customs efforts?

ANSWER:

Commerce's Office of Export Enforcement (OEE) is a single-mission law enforcement organization whose efforts are directed solely to export control enforcement. Unlike the U.S. Customs Service, which is responsible for enforcing a myriad of laws and regulations including export controls, OEE has no other enforcement responsibility other than the Export Administration Act and its implementing Regulations. Our Special Agents are highly skilled and trained exclusively for the demands of preventing and investigating complex illegal technology diversions. The locations we have selected to establish new field offices have been identified as areas that are important sources of some of this country's most critical technology. Establishing OEE field offices in these locations is based on the need to provide at least a minimum of enforcement coverage to prevent unlawful diversions and to investigate and successfully prosecute export control violators. Our national security interests require no less than a total enforcement commitment by Commerce. Our enforcement priority is mandated by law and does not change as is the case with some federal law enforcement agencies. We remain a single-mission agency that is committed to doing its utmost to protect our national security through vigorous export control enforcement.

We coordinate our enforcement efforts with U.S. Customs pursuant to the terms of a January 1984 Memorandum of Understanding (MOU) between our two agencies. Under the MOU, we exchange information on cases under investigation and often initiate enforcement action jointly.

QUESTION:

Commerce, State, and USTR all have "country desks" for following bilateral trade issues. How are the roles of these differentiated? Is there a need to improve coordination among these desks? What improvements are you planning and what are the associated costs, if any?

ANSWER:

While Commerce, State and USTR all follow bilateral trade issues, each agency has distinctive functions which are coordinated in the interagency review process. The Commerce Department has country desk officers organized regionally under International Economic Policy (IEP). Commerce desk officers analyze international trade/investment policies and coordinate the Department's activities and programs involving specific countries and regions. IEP's principal goal is to reduce foreign government barriers that impede U.S. international trade and investment. To this end, Commerce works with the U.S. Trade Representative (USTR) and other government agencies to develop U.S. negotiating positions on trade and investment issues both on a bilateral basis and through multilateral organizations. In addition, Commerce country desk officers directly support U.S. exporters by working with the U.S. and Foreign Commercial Service staff overseas to identify export markets, to develop commercial marketing strategies, and to counsel U.S. firms.

The State Department country desk officers are organized under geographic bureaus which are responsible for advising the Secretary in the formulation of U.S. bilateral relations including trade issues. While Commerce activities emphasize trade and investment issues, State desk officers primarily focus on the broad front of political and economic relations with a given country and/or region. In addition, the desk officers and the Bureau Directors work closely with U.S. Ambassadors and Embassies overseas to ensure that the various sections of a given Embassy jointly pursue U.S. foreign policy directives.

USTR is responsible for setting and administering overall trade policy and is the chief U.S. representative in the General Agreement on Tariffs and Trade (GATT), in trade-related Organization for Economic Cooperation and Development (OECD) activities and for negotiations in the United Nations Conference on Trade and Development (UNCTAD). USTR has lead responsibility for the conduct of all international trade negotiations. USTR country work is divided between three regional offices and the comparatively smaller staff covering country issues focuses on the most significant countries within each group and on other countries on an as needed basis. Commerce and State on the other hand have officers following all countries.

The country functions of Commerce, State and USTR are coordinated informally through individual contact and formally through the Trade Policy Committee, Senior Interagency Group, and the Cabinet Council on Commerce and Trade. We feel that coordination among the desks is adequate through the informal and formal groups. The current system offers a strong degree of flexibility to address ongoing and ad hoc trade issues. Since the formal groups have the ability to form committees on trade issues as warranted, and agencies work cooperatively together, we see no need to improve coordination.

QUESTION:

Since 1983, ITA has reorganized its trade development activities into several industry sectors. How do you evaluate the success of this reorganization and what criteria do you use for this evaluation?

ANSWER:

The purpose of the consolidation of the Department's industry-sector activities was to facilitate the accomplishment of the following sectoral objectives:

(1) To provide a single authoritative point of contact for U.S. industry.
(2) To focus Government industry analysis efforts on the global competitiveness of U.S. industries.
(3) To combine timely competitive assessments and analyses in support of industry programs and trade policy.
(4) To strengthen planning and implementation of trade policy and promotion programs directed toward industry sectors.
(5) To continue support of other agency industry analysis needs.

In the year that this revised organization has been in place, we believe it has improved our ability to accomplish the objectives primarily by having all industry sector resources tasked on a coordinated basis. For example, the linkage between industry analysis and both trade policy development and trade promotion has resulted in the development of more informed trade policy options and more precise utilization of our limited trade promotion resources. In addition, this reorganization has eliminated problems of information sharing among various industry-based units which was identified by the Commerce Inspector General in a 1984 audit.

The ultimate evaluation of the success of this reorganization lies with the clientele we serve. From the feedback we receive from industry and from other government organizations, we believe that

that we are becoming an important authoritative point of contact for U.S. industry. Our industry analysts serve as a one-stop shop for businessmen faced with the complexities of global competition, whether their interest be in obtaining information on exporting, finding out what overseas promotion opportunities are available, consulting Commerce to report on specific trade-related problems encountered, or obtaining domestic or international industry and trade statistics.

As regards our own self-evaluation, it is difficult to point to any one standard. Certainly, with the concentration of industrial analytical capabilities in Trade Development, we are better able to undertake competitive assessments and analyses to support trade and other policies which affect the international competitiveness of U.S. industries. Moreover, the location of sectoral policy, promotion and analysis functions for U.S. business interests in one agency now gives the Department a better capability to concentrate on the important market access issues and problems industries face.

Federal and State Export Promotion Efforts

QUESTION:

In the early 1980's, ITA began two initiatives for developing new relationships with states' export promotion agencies:

-- As a pilot effort, it opened a joint office with the State of Oklahoma under a flexible "sharing" arrangement, and

-- Appointed about a dozen business/government relations officers for 2-year terms to inventory the political climate for export promotion within the states and to promote state programs for financing exports.

What has been achieved by the these initiatives to date and at what costs? Does ITA plan to continue these efforts in the next fiscal year? If so, what will be the expected budgetary impact?

ANSWER:

The Business/Government Relations program was a very successful endeavor of the U.S. and Foreign Commercial Service (US&FCS). Over a three-year period, the result was a significant increase of state participation into export promotion, including the creation of eleven governor's advisory councils in states where they previously did not exist and the establishment of fifteen new state level export financing facilities. This activity has been incorporated into the US&FCS domestic activities.

The establishment of joint offices in Oklahoma in 1982 was the result of a desire to put together an organization designed to best serve the international needs of the local business community in an area not previously serviced by a district office.

The joint office has been successful. Perhaps the most important achievement has been the total and complete federal/state coordination of trade promotion activity in the state. There are 4 federal and 7 state employees in the joint offices at this time, located in both Oklahoma City and Tulsa. The professional staff have assigned territories within the state and promote export expansion through programs developed almost exclusively by the Department. Federal reporting systems are utilized for authenticating their actions. Office space is provided by the state and word processing equipment for the 2 offices was jointly sponsored. The management team is very compatible and interacts effectively in achieving objectives established through an annual work plan.

ITA plans to continue this effort in its present form for the next fiscal year. The budgetary impact is positive because this arrangement gives ITA the benefits of the state contributions (both salaries and support costs), thereby creating an office structure which ITA could not support using direct appropriations only.

QUESTION:

Does ITA plan to increase the number of export control offices assigned overseas?

ANSWER:

The funding and the 74 personnel requested in this increase were originally intended to strengthen our domestic operations. However, our operations sorely need some overseas placement of personnel, particularly in Western Europe and in the Far East, to support pre- and post-licensing checks and domestic investigations as they relate to the foreign investigative and regulatory activities of our allies in their efforts to support our export control program. Accordingly, we are seriously considering placing two to three additional positions in these areas.

Minority Business Development Agency

QUESTION:

In consolidating MBDA functions with the SBA, will you propose the termination of funding for the Minority Business Development Centers? Will MBDC's be merged with Small Business Development Centers?

ANSWER:

The Department has not yet completed its detailed plan for implementing the transfer of some SBA functions to the Commerce Department. The Administration's proposal continues the Minority Business Development Center program while the Small Business Development Center program is discontinued. However, SBA's Office of Advocacy would be transferred to the Commerce Department, thus assuring that the small business community will continue to have a strong voice in influencing Federal government policies, procedures, and rules which may affect them. Moreover, it makes sense to put all Federal programs which address the needs of the minority business community in one central agency. This would increase program efficiency, accountability, and manageability. Most importantly, all Federal activities designed to serve the interests of minority business would be enhanced under such a structure.

QUESTION:

Does the supplemental request (proposed for later transmittal) for the Administration for Enterprise Development and Opportunity include overhead and support costs for new personnel, presumably to be transferred from the SBA?

ANSWER:

Yes, the request includes $5.5 million for space, telecommunications, and other administrative support services for 708 positions transferred from SBA.

United States Travel and Tourism Administration

QUESTION:

Pursuant to Public Law 98-411, have offices of the USTTA been opened in Italy, the Netherlands, and Australia? What are the staffing levels and budgets for each office?

ANSWER:

The pending rescission proposal of FY 1985 funding has delayed the opening of two of these offices. The Australian office is open. However, should these funds become available for obligation, we will proceed to open the remaining offices. Each office will be staffed with one full-time director and one full-time clerical support person. The offices are budgeted at $1,069,000: Austraiia $468,000, Italy $303,000 and Netherlands $298,000.

QUESTION:

Based on the assumptions in enacting the FY 1985 appropriation, what appropriation will be necessary in FY 1986 to continue USTTA at its FY 1985 program level?

ANSWER:

USTTA is responding to the Committee's request for technical assistance in determining what appropriation would be necessary in FY 1986 to continue USTTA at its FY 1985 level. The level of funding would be $12,000,000. USTTA is committed to the Administration's request for FY 1986 of $4,000,000 which would permit us to close out USTTA programs in an orderly fashion.

United States Patent and Trademark Office

QUESTION:

PTO has estimated that it costs $500,000 per year to maintain the paper files used for trademark searches. Will these paper trademark files continue to be maintained in FY 1986 now that you expect to complete the conversion to a computerized search system in FY 1985?

ANSWER:

The PTO has no immediate plan to dismantle the paper files until the automated system has been evaluated and management is satisfied that it is working effectively. As such, we will continue to maintain the integrity of the paper files into FY 1986 and continue to assess several different options relating to the Search room.

QUESTION:

Does PTO intend to destroy these voluminous paper trademark files or store them? If they are to be stored, what will be the annual storage costs and how long will they be maintained in storage?

ANSWER:

Any decision on whether to ultimately maintain, or destroy our trademark paper files would consider the needs of the public. PTO's preference would be to destroy, rather than store, the paper files once the automated system proves effective and reliable.

QUESTION:

Currently, the public has free access to the paper trademark files. Under the automated search system, the public will have to pay a fee to gain access to the electronic work-stations in the public search room. This "user fee" raises several questions:

- What will PTO charge an individual on a per hour basis to use the automated search equipment?

ANSWER:

Under the current system the public is allowed access to the examiners' search file, the cost of which is part of the examination process. The automated trademark search system will establish two separate systems; one for the examining staff, and one for the public. Under this proposed arrangement, the examiner search system will remain a cost of examination (recoverable by the trademark application fee) and the public search system will be paid for through user fees.

The Office originally proposed a two tier fee system:

1) The BASIC SYSTEM will provide terminal searching capabilities comparable and equivalent to the methods used to access the existing paper files for $40.00 an hour of terminal session time.

2) The FULL SYSTEM will provide the more sophisticated search capabilities available to PTO examiners for $70.00 per hour of terminal session time. This $70.00 is comprised of the $40.00 fee for the BASIC SYSTEM, and a $30.00 royalty fee to compensate the participants in the PTO cooperative exchange agreements in exchange for public access to the FULL SYSTEM. We have solicited comments on these proposals from the user community and are now considering other options as well before reaching a final decision.

QUESTION:

- How is the amount of the user fee determined? Do these fees include overhead costs?

ANSWER:

The proposed PTO trademark search room fees are calculated by determining the total cost of the search room operations, including overhead. This method was derived by applying Federal cost accounting principles for user fee formulation disseminated in OMB Circular A-25. A copy of Computation of Hourly Rate for Public Use of Terminals in the Trademark Search Rooms has been submitted for the record.

QUESTION:

- How much do you estimate that PTO will collect in FY 1986 from this user fee? Where is this amount reflected in your FY 1986 budget estimates? How will these fees be used?

ANSWER:

We expect to collect approximately $961,000 annually in user fees to recover the marginal costs of public access to the electronic search system. These fees are reflected in the Customer Services line item of the Information Dissemination Budget Activity (pg. PTO-41). All user fees collected will be used to directly support and maintain the operation of the automated public search room.

QUESTION:

The Congress is investing a considerable sum in patent process automation at the Patent and Trademark Office -- $148.7 million from 1985 through 1990. In addition, the private sector is contributing close to $100 million a year in user fees.

- Given this investment, are you confident that PTO can reach its goal of reducing patent pendency to 18 months in 1987, although it is absorbing its 1985 pay increase this year and other administrative costs in 1986?

ANSWER:

Although automation is not a feature of the pendency reduction program, 18 months pendency will be achieved by 1987 assuming our original workload assessments prove accurate.

To date, the PTO has met or exceeded every production target under the 18/87 plan and pendency continues on track toward goal level.

Computation of Hourly Rate for Public Use of Terminals in the Trademark Search Room

Bases for Cost Distribution

Percentage of PTO Usage vs. Public Usage

	Terminals	Printers	Total	Percentage
I. PTO Employee Usage				
Trademark Examiners	40	16	56	
Others	8	4	12	
Total	48	20	68	68%
II. Public Search Room				
Public Use	21	10	31	
Monitor	1		1	
Total	22	10	32	32%
III. Grand Total	70	30	100	100%

Projected Hours of Public Use Annually

I. Work Days — 252

II. Hours = 8:00 am - 5:30 pm — 9.5 Daily

III. Maximum Capacity

252 X 9.5 X 21 Terminals — 50,274 Hours

IV. Estimated Percentage Usage

PTO Study of Public Use of Search Sites	63.8%
Time Savings with Automated System, 25%	16.0%
	47.8%

IV. Estimated Hours of Usage

50,274 X 47.8% — 24,030 Hours

Comparable & Equivalent Search Capability
(Alternative X)

Computation of Hourly Rate for Public Use of Terminals in the Trademark Search Room

(Excludes PTO Systems Design, Implementation & Operational Costs)

I.	**Direct Costs:**			
	Personnel Compensation		$ 181 K	(Exhibit A)
	Personnel Benefits		21 K	(Exhibit A)
	SDC Contractor Costs		416 K	(Exhibit B)
	Total Direct Costs		$ 618 K	
II.	**Other Costs:**			
	Rent	$ 98 K		(Exhibit C)
	Supplies	6 K		
	Training & Awards	3 K		
	Depreciation, Furniture	2 K		
	Forms	14 K		
	Renovation ($206K - 8 yrs.)	26 K		
	Total Other Costs		$ 149 K	
			$ 767 K	
III.	**Overhead Costs:**			
	17.5% X $618 K		$ 108 K	
IV.	**Total Costs:**		$ 875 K	
V.	**Estimated Hours of Usage:**		24,030	
VI.	**Hourly Rate:**		$,36	
VII.	**Proposed Hourly User Charge**		$ 40	

Exhibit A

Personnel Compensation and Benefits

I. Personnel Compensation

1.	Supervisor	9/5	$ 23,761
2.	File Supervisor	6/8	19,021
3.	Search Advisor	7/5	19,422
4.	Search Advisor	7/5	19,422
5.	Data Technician	5/5	15,681
6.	Data Technician	5/5	15,681
7.	Data Technician	5/5	15,681
8.	Data Technician	5/5	15,681
9.	File Clerk	5/5	15,681
10.	File Clerk	5/4	15,220
			$ 175,251
	Pay Raise 3 1/2%		6,134
	Total		$ 181,385

II. Personnel Benefits

$181,385 X 11.38% = $ 20,642

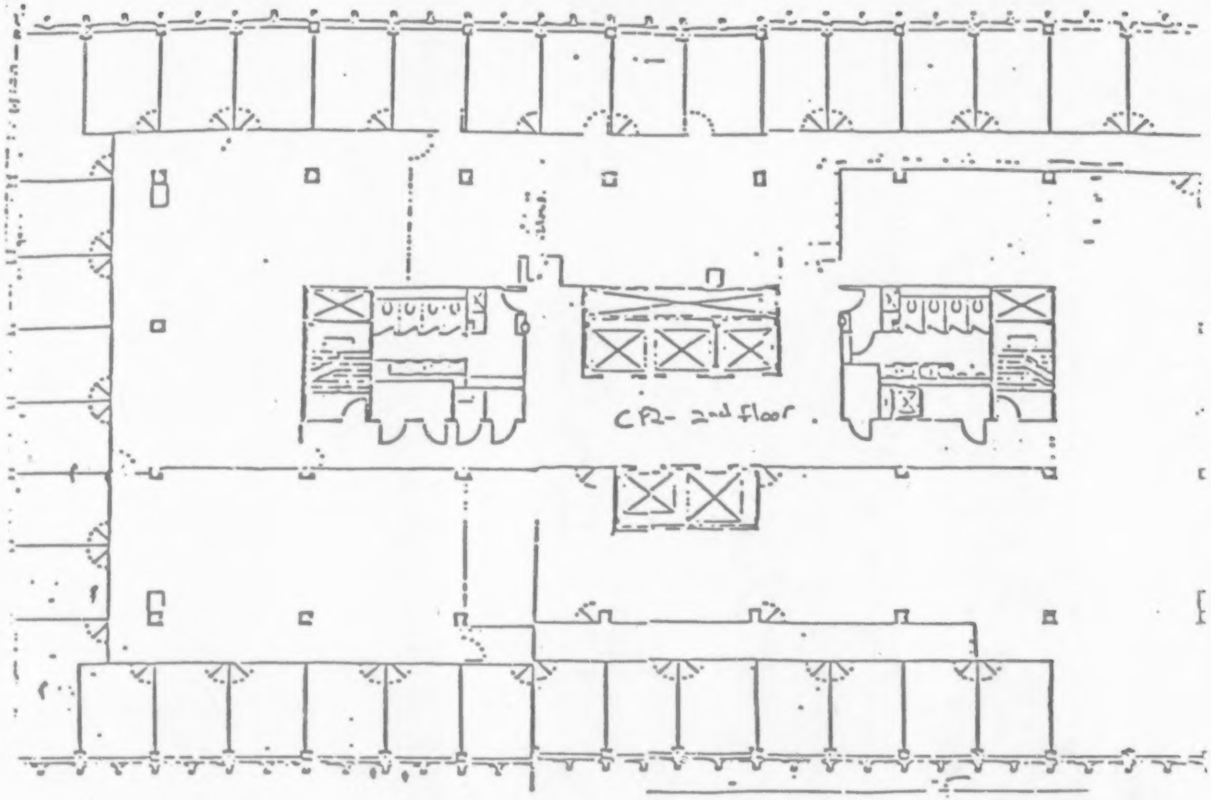
Exhibit B

SDC Contractor Costs

I.	Total Estimated Amount of Contract	$ 10 Million
II.	Amortized over Life of System, 8 Years Annual Amortization	$ 1.3 Million
III.	Public Use 32% X $1.3 Million Annual Cost	$ 416 K

Exhibit C

Trademark Search Room CP-2


CP2- 2nd floor

$18.31 sq. ft. X 5,331 = $97,610

National Bureau of Standards

QUESTION:

The request for the National Bureau of Standards is $120 million. However, part of this consists of four programmatic decreases of $16 million offset by four programmatic increases of approximately the same amount. Three of the four cuts, in the Institute for Computer Sciences and Technology, and the Centers for Building Technology and Fire Research, have been rejected by the Committee in the past.

--If these cuts are restored again, do you have priorities in the four areas of program increases?

ANSWER:

The priorities in the four areas of program increases are as follows: Cold Neutron, Process and Quality Control, Industrial Applications of Biotechnology, and Advanced Ceramics.

QUESTION:

The Cold Neutron reactor research facility will provide tremendous research opportunities for the private sector. The budget justification mentions examples of cooperative research with organizations such as Exxon, Allied Chemical, DuPont, AT&T, and Motorola.

--Have you considered requesting authorization language to permit these firms or others in the private sector to contribute toward construction of this facility?

ANSWER:

It has been the practice in the National Laboratories, including NBS, to fund major facilities or additions with direct appropriations. We look to our industrial collaborators to provide special instrumentation once the brick and mortar facility is complete. Twenty-five percent of the proposed experimental stations have been set aside for this purpose.

An authorization language change would not be required in order for NBS to accept either funding or donated equipment to set up the experimental stations.

QUESTION:

Has the Bureau investigated options for "privatizing" portions of the Institute for Computer Sciences and Technology?

ANSWER:

The Bureau is in the process of investigating the possibility of creating a private entity to provide test methods for computer networking standards. Preliminary discussions of the concept have taken place within the Administration but there is no formal Administration position at this time.

QUESTION:

The Center for Fire Research provides $2 million in grants. Please list the recipients of, and purposes for, the grants in FY 1984 and FY 1985.

ANSWER:

The FY 1984 and FY 1985 grants from the Center for Fire Research are essentially the same and total $2 million annually. These grants support five major research areas and are described below.

(1) Computer Fire Growth and Suppression Processes and Models ($630K)

Fire in a compartment is a very complex interactive set of phenomena in which all the variables affect each other. Valid information can be obtained in full scale tests, which are very costly, or in computer simulations where the physical and chemical processes are accurately represented. These grants investigate the individual phenomena important in compartment models to represent fire growth, suppression and extinguishment. The grants in this area include the following:

o U of Maryland	Transient Heat Transfer in Ceiling Jets
o Rutgers	Negatively Buoyant Flows in Fires
o Case Western Reserve University	Flame Spread Limits Fire Suppression Scaling Laws
o U of Calif. (Berkeley)	Fire Propagation in Concurrent Flows Fire Modeling Phenomena
o Factory Mutual Research Corporation	Water Spray-Fire Interaction Prediction of Fire Dynamics
o Penn State University	Turbulent Burning on Walls Wall Burning in Stratified Atmosphere

(2) Smoke Toxicity Processes and Hazard Models ($550K)

Most persons killed in fires die because of smoke toxicity. These grants investigate the toxic effects of gas species and soot in the smoke, chemical changes affecting those species in the hot smoke layer, and transport of the hot smoke. The results are expressed in terms that can be incorporated in smoke transport models. The grants in this area include the following:

o Harvard University	Upper Layer Composition in Transient Fires
o Calif. Institute of Technology	Heat Transfer and Flow Mixing from Fires
o Factory Mutual Research	Scaling of Fire Modeling Parameters
o U of Pittsburgh	Incapacitation and Smoke Toxicity Mechanisms
o U of Mississippi	Toxicology of CO and HCN Inhalation
o Southwest Research Institute	HCL Toxicity, Smoke Uptake Mechanisms
o Johns Hopkins University	Simulation of Escape from Toxic Gases

(3) Exploratory Studies - Polymer Decomposition, Smoldering Combustion, and Soot Formation ($360K)

The purpose of this exploratory research is to provide understanding of basic fire physical and chemical phenomena in three areas that are important for fire safety and for which satisfactory means to mitigate hazards do not exist. These areas are polymer decomposition, smoldering combustion, and soot formation. Fire retardant effectiveness in most plastic materials, for instance, is limited if the material is subjected to substantial heating from an already existing fire. Smoldering is the mode of ignition from a dropped cigarette and causes about 27 percent of the fire deaths. Soot formation is a complicated process involving formation, growth, radiation of heat, and partial burnout of particles in flames. The grants in this area include the following:

o	Princeton University	Flow Field Effects on Sooting of Flames
o	U of Calif. (Berkeley)	Flame Radiation
o	Clemson University	Flame Retardation Mechanisms
o	Brown University	Oxygen Transport in Material Pyrolysis Soot Dynamics in Flames
o	Johns Hopkins University	Polymer Decomposition Kinetics

(4) Materials and Furnishing Flammability ($260K)

This category of research contributes to basic knowledge of the response of materials to fire and how assemblies of materials participate in the compartment fire processes. The research also furnishes information used to develop test methods to obtain data on materials that can be used in mathematical models. The grants in this area include the following:

o	Brown University	Performance of Charring Materials
o	Dayton University	Modeling of Furniture Fires
o	Stanford University	Behavior of Furniture Frames in Fire

(5) Methods for Fire Safety Evaluation of Buildings, Facilities, etc. ($200K)

To design fire safety in a building it is necessary to calculate how long it will take for the occupants, once they are notified, to escape to safety. This time is then compared with the time for a hazard to develop, calculated from fire growth and smoke transport models. These grants provide for computer simulation of the escape of the occupants from a complex building when there is a fire, and methodology for establishing the benefit/cost ratios of ways of providing fire safety. The grants in this area include the following:

o	U of Florida	"Network" Type Evacuation Models
o	American Institute of Architects	Escape and Rescue Model
o	U of Virginia	Risk Analysis and Probability Estimation

National Telecommunications and Information Administration

QUESTION:

Late last year, two bills were vetoed that authorized appropriations for the Corporation for Public Broadcasting and the Public Telecommunications Facilities program of the Commerce Department. However, the White House and OMB indicated a willingness to accept funding based on the Oxley Amendment offered in the House.

-- If an authorization is passed and signed by the President, will the Department support funding for the Public Telecommunications Facilities program?

ANSWER:

For FY 1985, the Department supports the funding levels in the Oxley amendment for the Public Telecommunications Facilities Program. The Program is currently processing applications which would result in grants made from amounts appropriated for FY 1985. A rescission request is pending to reduce, but not eliminate, the PTFP funding for 1985 and the Program fully expects to make awards late this summer.

The Department believes that the PTFP should be eliminated for fiscal year 1986, because of the need to reduce the Federal deficit and because we believe the program has accomplished its original purpose. The original intent of the legislation was to provide seed money for establishment of public broadcasting stations in unserved areas. That goal has been virtually accomplished, with public telecommunications service now in 97% of the country.

QUESTION:

NTIA's FY 1985 budget requested additional funding for NTIA's preparations for and participation in the World Administrative Radio Conference on Space Services (Space WARC) that was held in 1985.

What is the total cost in staff and support resources expended by NTIA for Space WARC in 1985?

ANSWER:

Although NTIA did not request additional funds for preparation and participation in the 1985 Space WARC Conference, money was included in our FY 1985 base request. The total cost of staff and support resources to be expended by NTIA in FY 1985 is approximately $1 million.

QUESTION:

How much will NTIA spend in FY 1986 on Space WARC?

- If FY 1986 Space WARC expenditures are less than those for FY 1985, please explain the reductions and describe where the reductions are listed in the budget.
- If the FY 1986 budget was not reduced to reflect lower FY 1986 Space WARC expenditures, please provide details on how this money will instead be spent.

ANSWER:

The NTIA FY 1986 budget for Space WARC activities is approximately $800K. This includes continued participation in the intersessional work preparing for the second session of the Space WARC occurring in 1988. This preparation will probably require continued technical analysis of methods to optimize the use of the geostationary orbit and preparatory meetings for the second session with other administrations. This preparation will not, however, include direct participation in an ITU conference and bilaterals with other administrations so that the cost will be reduced by approximately $200K. The difference in funding from the FY 1985 to the FY 1986 budget will be spent in preparations required for the 1986 High Frequency (HF) Conference and the 1987 Mobile Services Conference.

QUESTION:

Please describe the activities and results of NTIA's investing additional staff and other resources worth over $350,000 in FY 1985 to increase participation in the development of the international Integrated Services Digital Network (ISDN).

ANSWER:

NTIA is involved in a number of important activities concerning ISDN. One of our principle efforts is chairing Study Group XVIII which meets under the auspices of the State Department and makes recommendations to those parts of the International Consultive Committee on Telephone and Telegraph (CCITT) that deal with ISDN issues. NTIA is responsible for determining and presenting U.S. positions on all ISDN issues addressed at these Study Group meetings. The organization also participates in related CCITT Study Groups III, VII, XI, and XVII activities as they impact ISDN issues. Further, NTIA submits various technical papers to these national Working Groups on subject areas of particular NTIA expertise. In addition, NTIA provides outreach efforts to industry through such mechanisms as information seminars, data base information services, etc., to promote better understanding and participation in the standards setting processes. Current technical issues with which NTIA is actively involved relative to ISDN include Quality of Service specifications, addressing and coding schemes, network interworking, and signalling approaches, for which pertinent contributions will be made by NTIA staff. Policy oversight will be expanded to assure the recommendations made on various technical issues raised are consistent with desired U.S. policy positions as ISDN evolves in the domestic and international market places.

QUESTION:

Is an equal investment of resources included in the NTIA FY 1986 budget?

ANSWER:

Approximately the same amount of NTIA resources will be dedicated to our efforts in ISDN standards development in FY 1986.

QUESTION:

Has NTIA developed a plan to guide its participation with industry and other nations in developing ISDN standards? What is the projected total U.S. Government cost and what is a likely date for ISDN standards to be adopted and used in the U.S.?

ANSWER:

NTIA has developed its internal planning vis-a-vis operating plans for its participation during FY 1985 with industry and other nations in developing ISDN standards. Most of this planning seeks to respond to standards topics raised by U.S. telecommunications industry users and manufacturers. The work accomplished in responding to these issues, both in the domestic and international arenas, assures that there is adequate coordination in the evolving ISDN network concept.

With regard to the second part of this question concerning projected Government costs and implementation dates for ISDN standards, it is important to recognize that there are numerous Federal participants, e.g., Federal Commmunications Commission (FCC), State Department, NTIA, National Communications System (NCS), U.S. Air Force, Defense Communications Agency (DCA), and the National Bureau of Standards (NBS) involved in CCITT and related standards setting bodies. To calculate with precision all of these costs is beyond our scope. As to implementation dates for ISDN standards adoption, it is quite clear that the U.S. is moving rapidly in its drive to secure national and international standards which conform to an ISDN conceptual design. Other prime movers, e.g., Japan and the European community, are also advancing rapidly in these areas. It is critical that the U.S. maintain a strong vantage point to assure that U.S. industry users and manufacturers can effectively compete in this rapidly evolving market place.

QUESTION:

How is NTIA activity in this area coordinated with other involved Federal agencies to assure there is no duplication of efforts? Please list the special units in NTIA and in other Federal agencies (i.e., FCC and State Department) that have day-to-day coordination responsibilities for ISDN issues.

ANSWER:

NTIA has close coordination efforts with the FCC, State Department, NCS and others, who are principals in providing policy oversight in the ISDN standards area. NTIA, itself, provides broad policy perspective, as well as the technical coordination, essential to the development of standards which are responsive to U.S. industry needs. These standards are developed both nationally, through American National Standards Institute (ANSI) activities, with participation from the Electronics Industry Association (EIA), and the Institute for Electrical and Electronics Engineers (IEEE) and through our international participation in the CCITT Study Groups supporting the International Telecommunication Union (ITU).

The units within NTIA responsible for policy and technical standards development include the Office of Policy Analysis and Development, the Office of International Affairs, and the Institute for Telecommunication Sciences. Within the other Federal agencies noted in the question, i.e., FCC and State Department, the Office of International Communications Policy within the State Department, and the Common Carrier Bureau and the Science and Technology Office in the FCC are the components providing primary coordination on ISDN issues.

QUESTION:

Would you please comment on the joint Department of Commerce and Department of State White Paper on new international satellite systems and why you believe additional systems will not create significant economic harm to INTELSAT, the Global Satellite System.

The White Paper says that new systems introduced will be prohibited from the public switched telephone network. What happens if these services overlap? Under Secretary of State Schneider stated recently at a hearing before a Foreign Affairs Subcommittee in that event the whole idea of authorizing additional satellite systems would have to be re-examined. Do you agree?

ANSWER:

The White Paper published by the Senior Interagency Group on International Communication and Information Policy on February 5, 1985 discusses at great length the basis for and the sustainability of the service limitations called for in the President's November 1984 determination. Such service limitations may be imposed by the Federal Communications Commission as a matter of law and, indeed, have been imposed on a number of firms in the past. Service limitations are now placed on the use of international communications circuits by established carriers as well as users both here and abroad.

As discussed in Assistant Secretary of Commerce Markey's testimony before two House Foreign Affairs Subcommittees on February 19, 1985, there are several reasons to assume such service limitations will be effective. If a new entrant or a customer of a new entrant were to permit the use of a satellite circuit in disregard of the FCC limitations required by the President's determination, that would constitute a violation of the law punishable by substantial fines and other sanctions including license revocation. We have assumed that, in general, corporations and their customers abide by the law. Second, this is not the sort of situation where the traffic handled by new systems will not be monitored closely. European telecommunications administrations typically police the services provided by entities in their country very closely, far more closely than is now true in the United States. Third, any potential diversion of traffic should prove of little consequence given the substantial growth now occurring in public-switched traffic.

Should the service limitations required by the President's determination prove less than fully effective over time and should significant economic harm to INTELSAT seem likely as a result, the United States would reexamine these limitations as Under Secretary Schneider indicated. It should be borne in mind in this regard, that INTELSAT currently confronts increasing competition in a number of regards independent of the proposed new U.S.-based satellite systems. Very high-capacity fiber optics underseas cables are planned for the Atlantic and Pacific Basins and possibly the Indian Ocean Basin as well. Service limitations have not yet been placed on these potentially directly competitive cable facilities. "Regional" satellite systems now operate in Europe, Southeast Asia, and the Middle East which are competitive with INTELSAT and which are not subject to service limitations such as the United States will impose. In addition, many of the member nations of INTELSAT are part of or are planning separate satellite systems actually or potentially competitive with INTELSAT. Given this proliferation of unlimited competition with INTELSAT from new cables and new, non-U.S. satellite systems, any problem caused by the illicit use of the U.S.-based satellite systems is relatively small. The Executive branch, moreover, has taken steps to insure INTELSAT's ability to compete in this increasingly competitive international communications environment. The Department of State has confirmed that INTELSAT should enjoy flexibility to vary its prices to meet any competition in the customized services sector and the Department of Commerce has recommended that limitations on INTELSAT's use by firms other than the Communications Satellite Corporation be removed. These should ensure the continued viability of INTELSAT as an important international organization.

QUESTION:

A December 1984 study by the FCC's Office of Policy and Plans warned that promoting competition among U.S. suppliers of International Telecommunications satellites may do nothing more than shift profits abroad with no reduction in cost or other benefits to consumers.

Would you comment on the possibility that U.S. firms may lose business if competing U.S. satellite companies are pressured by foreign governments to use hardware and services from other than U.S. firms?

ANSWER:

The FCC paper at issue is a staff study developed by one member of the Commission's staff and explicitly states that it does not reflect the views or policies of the agency. This staff report, moreover, deals with competition among providers of public-switched communications services, while under the President's determination, the new U.S.-based satellite systems will be barred from providing such services.

The Executive branch White Paper published by the Senior Interagency Group on International Communications and Information Policy took fully into account the contentions which have been advanced regarding proposed new U.S.-based satellite systems including possible effects on U.S. aerospace suppliers, possible efforts by foreign administrations to pressure entrants into making use of foreign suppliers, and possible U.S. benefits and losses. The 14 Executive branch departments and agencies comprising the Senior Interagency Group on International Communications and Information Policy concluded that there would be no adverse effect on the U.S. aerospace industry and that anticompetitive actions by foreign telecommunications administrations could be addressed within existing procedures.

The fundamental purpose of the approach reflected in the White Paper is to broaden the range of choices available to Americans, to foster greater productivity and to facilitate expanded trade, and ultimately to yield substantial benefits to consumers while preserving INTELSAT as an important international organization. We believe that our approach will achieve these objectives. We have seen nothing in the FCC staff paper referred to which would require a reappraisal of our policies.

QUESTION:

I assume you are aware that transatlantic telecommunications traffic growth has been falling far short of U.S. forecasts, and that as a result INTELSAT (and authorized transatlantic cable systems) will be faced with a serious overcapacity problem even without the addition of new satellite systems. I understand that the FCC projected 1983 growth at nearly 20% and 1984 growth at 15%, and that INTELSAT, in reliance upon those forecasts, committed over a billion dollars for a new generation of satellites that will increase its capacity threefold. But, I understand that actual growth has turned out to be less than ten percent in 1983 and 1984. Overall system growth including cable capacity, is also way below projections.

-- How will it all be paid for, if INTELSAT's traffic and revenues are not only less than the FCC has projected, but if you authorize new systems to divert more revenues away from the global system?

-- The White Paper does not include these new figures showing a shortfall in traffic. Shouldn't this be re-examined?

-- Does the U.S. have an obligation not to compound the overcapacity bind that it seems to have created?

ANSWER:

Given the disputes which have arisen regarding traffic statistics and estimates, the White Paper published by the Senior Interagency Group on International Communication and Information Policy cited traffic figures contained in the most recently published INTELSAT Annual Report, which was issued in March 1984 and covered the period April 1982 through March 1983. This official INTELSAT publication states in pertinent part:

> Despite a slowing down of demand in the second half of 1982 due to a worldwide decline in economic activity, revenues from full-time traffic carried over INTELSAT's satellites recorded a growth of 23 percent during the year. The overall growth in business was even greater and INTELSAT's revenues increased by 27 percent from US $249 million in 1981 to US $315 million in 1982. A substantial increase is projected also for 1983 and revenues for that year are expected to approach the US $400 million mark. (p. 28)
>
> The INTELSAT System Planning effort is directed at the 1988-2000 time period, with particular emphasis on the near term alternatives during 1988-1995. Over this entire period, INTELSAT's conventional international traffic is expected to grow at about a 15 percent annual rate; in addition, INTELSAT anticipates the emergence and rapid growth of several new services for business communication, international television distribution, high capacity cable restoration, domestic leases and low-density telephone. (p. 17)

Since the filing of applications with the Federal Communications Commission to establish new U.S.-based international satellite systems separate from INTELSAT, INTELSAT officials have stated that these statistics, published prior to the advent of potential

U.S. competition are no longer valid. The White Paper makes reference to the fact that INTELSAT in recent months has radically revised its traffic forecasts and other statistical information.

Experts disagree over what constitutes "overcapacity" in a telecommunications system. At present, the conventional terrestrial telephone network, for example, is designed to handle peak hour loads (11 am to 2 pm) and during off-peak hours may be very lightly utilized. The U.S. domestic satellite industry also reflects significant unused capacity, estimated as much as 47 percent, during certain time periods. Both the conventional telephone network and U.S. domestic satellite industry are profitable despite possible "overcapacity."

International communication traffic reflects the level of commercial and economic activity worldwide. Traffic also is dependent on price and how closely tailored communications offerings may be to particular user requirements. As discussed in the White Paper, moreover, there is some evidence increasing competition may stimulate the overall volume of international communications traffic, as has been the case in U.S. domestic communications markets where the annual rate of revenue growth approximately doubled in the five years following the elimination of regulatory barriers on full competition among carriers.

Under the President's determination, INTELSAT's core revenues (derived from public-switched message traffic) will be "off-limits" to U.S. international satellite systems. Limitations on the use of INTELSAT space facilities by firms other than the Communications Satellite Corporation in the United States will be reduced in the case of competitive services. As discussed in the White Paper, additional U.S. public-switched message providers are entering the international communications market. INTELSAT is a well-established organization with a large number of sophisticated satellites in orbit and a skilled and perceptive staff and thus is well positioned to compete very effectively in the international communications market should it choose to do so. Taking all of these factors into account, we do not believe concerns regarding possible "overcapacity" in the international communications market constitute an appropriate basis for denying U.S. users the new alternatives which the satellite system applicants should offer.

The United States, through its participation in the North Atlantic Facilities Planning Process and as a party to the INTELSAT agreement, will continue to monitor facilities construction proposals developed by INTELSAT as well as the terrestrial common carriers. Such construction plans and proposals have not been developed in the past by the United States, nor is that likely to prove true in the future. They are instead developed by INTELSAT and the carriers themselves, subject only to broad regulatory review.

International Trade Administration

Steel Trade Support

QUESTION:

The State Department justification, in its request for a new economic officer in Paris, says, in part "The Foreign Commercial Service had, in the past, been handling the extensive workload relating to trade in steel. However, with a changeover of responsibilities between State and Commerce, FCS now believes it can no longer perform this function which is generally conceded to be a State responsibility."

-- Please describe this "changeover of responsibility."

-- At what other posts has a "changeover of responsibilities" occurred?

-- Why is the FCS abandoning its involvement in steel cases?

-- Does the Commerce Department intend to turn over steel cases to the State Department throughout the world?

-- What other industries does FCS intend to abandon?

-- IF FCS is willing to abdicate its role in the most crucial area of steel trade, why should the U.S. Government continue to maintain a separate FCS?

ANSWER:

The quoted State Department language is not accurate.

The Trade Reorganization Act divided the responsibilities for economic and commercial affairs into two broad categories: State retained the responsibility for economic reporting and the U.S. and Foreign Commercial Service (US&FCS) obtained the responsibility for the promotion of U.S. exports abroad. The division of many of the duties which do not fit neatly into those two categories (reporting and promotion) has usually been left to the post's discretion.

In Paris, at the time of the re-organization, a State Department economic officer continued to be attached to the Commercial Office (US&FCS) and continued to report on the economy of the steel industry. When he departed post in 1983, the economic section (State) re-assumed its responsibilities for economic reporting on steel.

Other aspects of the Franco-American trade in steel are divided between the Commercial Office and the Import Administration Office (Commerce) in Paris. The Import Administration Office is responsible for all countervailing duties and anti-dumping cases in France, not just the steel industry cases, and has similar regional responsibilities throughout Western Europe.

In posts where there is not an active Import Administration Office, local conditions dictate whether the economic section or the Commercial Office handles countervailing duties or anti-dumping cases. In some countries, it is very awkward for our Commercial Officers to investigate these cases while, at the same time, promoting sales of U.S. made goods to the same companies they are investigating.

In summary, there is no division of labor between the economic section and the Commercial Office over industries or products; rather that division remains that the economic section has the responsibility for economic reporting and the Commercial Office has the responsibility for trade promotion. The traditional broad division of labor for export promotion of specific products among Commerce, Agriculture, and Defense remains in effect:

- export promotion of industrial manufactures remains the responsibility of the US&FCS;

- export promotion of agricultural products remains the responsibility of the Foreign Agricultural Service; and

- export promotion of weapons systems remains the responsibility of Defense.

QUESTIONS SUBMITTED BY SENATOR WEICKER

QUESTION:

Mr. Secretary, funding for NOAA's satellite and atmospheric programs has increased 43% over the past four years, while ocean and coastal funding has remained at 1980 levels. Each year Congress has accepted these "non-oceans" increases and restored the "oceans" cuts. How can NOAA effectively manage the valuable resources in our waters when marine research and development funding for the nation's major oceans agency has not kept pace with programmatic needs and inflation?

ANSWER:

The FY 1986 budget reflects the resources required to address NOAA's highest priority responsibilities in ocean resource research and development (R&D). The proposed reductions do not, in any way, reflect a lower commitment to fulfilling the legitimate Federal role in the development and management of ocean resources. Rather, the majority of the ocean and coastal R&D cuts proposed in the FY 1986 budget involve programs which have fulfilled their original objectives or are more appropriately supported by the private sector or state interests which benefit from their results.

NOAA will continue its fundamental research on oceanic and atmospheric processes and the interactions between those systems which affect our weather and climate (e.g., TOGA/El Nino research). NOAA is also committed to fulfilling the Federal role in supporting the research required for effective fisheries management. In fact, the FY 1986 budget includes a proposal to initiate a large-scale, long-term research program aimed at improving our ability to predict fluctuations in major fish stocks. This initiative, entitled Fisheries-Oceanography Coordinated Investigations (FOCI), involves research to identify the environmental factors (e.g., winds, currents, salinity, temperature) which influence the growth and survivability of significant commercial species like Alaska Pollock. FOCI is a good example of NOAA's commitment to research on ocean resources which meets high-priority national needs.

QUESTION:

The rescission request for the Department of Commerce is the largest percentage of all Federal agencies, that of 19%. NOAA's portion of that request is 31% of the DOC total. While the need for balancing the budget is critical, why is DOC, and particularly NOAA, being asked to take such an unproportionate share?

ANSWER:

The rescissions were proposed on a programmatic basis rather than a proportionate share basis.

The decision to propose rescission of FY 1985 funds associated with the Coastal Zone Management, Sea Grant, Ocean Service Centers, the Fish Loan Fund, and second-polar satellite is consistent with NOAA's FY 1986 budget and will allow us to begin re-aligning funding priorities for essential NOAA programs in light of the current Federal deficit. It was appropriate for the Federal Government to establish the existing network of Sea Grant College programs and assist the coastal and Great Lakes states in developing Coastal Zone Management programs. These tasks have been completed and, in this time of Federal deficits and State surpluses, responsibility for these programs can be transferred to the beneficiaries.

Maintaining a two-polar orbiting satellite system is not a cost-effective use of Federal funds since there should be no substantial degredation of the quality of weather forecasts under a one-polar system. Beginning the move toward a one-polar system in FY 1985 will allow us to save $150 million through 1997.

NOAA's rescission proposal also includes reductions necessary to comply with the Deficit Reduction Act of 1984.

QUESTION:

The NOAA budget proposes a savings of $8 million in FY 1986 by contracting out various services. What is the status of the A-76 productivity reviews, and when will they be completed?

ANSWER:

The savings projected in the FY 1986 budget were based on: (1) additional savings (beyond the amount achieved in the FY 1985 budget) from three studies completed in FY 1984 ($378,000); (2) most efficient organization (MES) savings ($3,100,000); and (3) the application of a formula developed by the Office of Federal Procurement Policy (OFPP) to 36 of the 51 areas to be reviewed ($4,667,000). The formula developed by OFPP is based on A-76 review experience from across the Federal Government and allows for savings to be generated over a two-year period. The attached table provides a status of the 51 areas under review as of December 1984 including begin and end dates for each review. Footnote 1 identifies those reviews to which the OFPP formula was applied.

QUESTION:

The budgets of the Environmental Protection Agency and the National Science Foundation are being enhanced by 7 and 5% respectively in FY 1986. NOAA's R&D budget, however, is being cut by 19%. How can this be justified when all three agencies focus on similar types of environment and natural sciences research, and in some cases, share responsibility for the same programs?

ANSWER:

The President's FY 1986 budget reflects an adequate level of support for oceanic and atmospheric research and development across the Government. NOAA's budget focuses our resources on R&D programs designed to meet high priority national needs related to

NOAA's mission. Funding is included to support fundamental research on oceanic and atmospheric processes and the interactions among these systems which influence our weather and climate. The proposed enhancement for the Radiatively Important Trace Species (RITS) program allows NOAA to fulfill its role in monitoring, understanding and predicting changes in air quality. The FY 1986 budget includes an enhancement for the wind profiler program which will significantly enhance our ability to observe and predict localized weather conditions. NOAA's budget maintains our participation in the acid rain research program at the same level as FY 1985. On the ocean side, we are proposing to initiate an exciting new research effort to identify the environmental factors which influence the size and health of major fish stocks.

All of these examples reflect our commitment to fulfilling NOAA's legitimate R&D role, and reductions proposed in the FY 1986 budget involve programs which have fulfilled their original objectives or are more appropriately supported by the private sector or the states who benefit from their results.

Productivity Improvement Program Review List

Activity	Location	Description	FTE	Review Begin Date	Review End Date
1. WASC - Support Activity 1/	Seattle, WA	Provides warehousing and supply for ten western states including Alaska and Hawaii.	9	5/83	7/85
2. MASC - Library 1/	Boulder, CO	Provides library and information services in the fields of interest of the Boulder, CO complex (MASC).	15	9/83	7/85
3. MASC - Supply Services 1/	Boulder, CO	Provides supply management services (excluding procurement) for the MASC.	38	9/83	7/85
4. WASC - Management Anal. System Div.	Seattle, WA	ADP support and data entry.	7	10/85	10/86
5. NESDIS - National Climatic Data Center 1/	Asheville, NC	Provides ADP, archival, and technial support services for the National Climatic Center.	114	4/83	7/85
6. NESDIS - Library Information Services 1/	Rockville, MD	Provides library and information services for both NOAA and non-NOAA interests.	28	4/83	7/85
7. NESDIS - NODC ADP Operations 1/	Washington, DC	Provides scientific illustrations and ADP support service for Natl. Oceanographic Data Center (NODC).	22	4/83	4/85
8. NESDIS - Natl. Geophysical Data Center 1/	Boulder, CO	Provides centralized ADP and information services for NGDC.	5	9/83	3/85
9. NESDIS - Satellite Operations	Suitland, MD*	Environmental satellite operations—*Also Wallops Islands, VA and Fairbanks, AK.	173	4/85	10/86
10. NESDIS - Satellite Data	Suitland, MD	Satellite data collection, processing and distribution.	131	4/86	10/87
11. NESDIS - Satellite Research & Appl.	Suitland, MD	ADP Services, sensor calibration and technical services.	32	4/85	10/86
12. NESDIS - Assessment & Info. Service Center 1/	Washington, DC	ADP Support	9	3/85	3/86
13. NESDIS - National Climate Data Center	Asheville, NC Suitland, MD	Climate records processing, systems programming, Climate library and satellite data operations.	94	4/86	10/87
14. NESDIS - Natl. Oceanographic Data Center	Washington, DC	Data base management, product delivery, and systems development.	76	4/86	10/87

Activity	Location	Description	FTE	Review Begin Date	Review End Date
15. NMFS - NW & Alaska Fish. Center Act. 1/	Seattle, WA	Provides ADP support and facilities maintenance for the Northwest and Alaska Fisheries Center, NMFS. Provides editing and publication coordination services for NMFS scientific publications.	60	3/83	1/86
16. NMFS - SE Fisheries Center Activities 1/	Miami, FL	Provides ADP support and facilities maintenance for the Southeast Fisheries Center, NMFS. Provides editing services for NMFS scientific pulications.	25	4/83	7/85
17. NMFS - NE Fisheries Center Activities 1/	Woods Hole, MA	Provides ADP support and facilities maintenance for the Northeast Fisheries Center, NMFS.	39	4/83	9/85
18. NMFS - SW Fisheries Center Activities 1/	LaJolla, CA	Provides ADP support for the Southwest Fisheries Center NMFS.	33	4/83	6/85
19. NMFS - SE Fisheries Center Activites 1/	Miami, FL	ADP facilities maintenance support.	14	10/84	10/85
20. NMFS - Data & Information Management	Washington, DC	ADP support.	7	10/85	10/86
21. NMFS - Financial Services Division 1,2&3/	Nationwide	Fisheries obligations, guaranteed loans, and Fishery Loan Fund processing in Washington, DC and the regions.	30	7/85	7/86
22. NMFS - Utilization Research 1,2&3/	Nationwide	Seafood inspection program.	134	4/85	4/86
23. NOS - Aeronautical Chart Branch 1/	SilverSpring, MD	Constructs and maintains aeronautical charts and related publications to meet the requirements of civil-military aviation.	148	3/83	10/85
24. NOS - Marine Chart Branch 1/	Rockville, MD	Contructs and maintains nautical charts, Coast Pilots, and other related marine pulications.	52	3/83	10/85
25. NOS - Geodetic Resource Management 1/	SilverSpring, MD	Establishes, improves, and maintains a basic horizontal and vertical network of geodetic control. Provides technical and logistical support to geodetic field units and compiles, publishes, and maintains information for the geodetic user community.	292	3/83	10/85
26. NOS - Atlantic Marine Center 1/	Norfolk, VA	Provides operational and technical support (including ship operation) for all hydrographic, oceanographic, and marine resource activities AMC.	142	3/83	10/85
27. NOS - Pacific Marine Center 1/	Seattle, WA	Provides operational and technical support (including ship operations) for all hydrographic, oceanographic, and marine resource activities at the PMC.	576	3/84	1/86
28. NOS - Photogrammetry Branch	Rockville, MD	Photogrammetry.	68	4/86	10/87
29. NOS - Hydrograpic Surveys 2/	Rockville, MD	Governmental planning activities for hydrographic surveys.	28	10/85	4/87

Activity	Location	Description	FTE	Review Begin Date	Review End Date
30. NOS - Aeronautical Chart Branch 1&2/	Rockville, MD	Governmental activities related to aeronautical charting.	138	3/83	7/86
31. NOS - Marine Chart Branch 1&2/	Rockville, MD	Government activities related to nautical charting.	87	3/83	7/86
32. NOS - Atlantic Marine Center 1&2/	Norfolk, VA	Government activities related to marine operations.	331	11/84	11/85
33. NOS - Marine Operations	Rockville, MD	Engineering.	35	10/85	4/87
34. A - Aircraft Operations	Miami, FL	Aircraft operations.	88	7/85	1/87
35. OAR - GFDL Computer Operations 1/	Princeton, NJ	Provides ADP support for the research activities conducted at GFDL.	16	5/83	11/85
36. OAR - Atlantic Oceanographic Met. Lab. 1/	Miami, FL	Facilities management and maintenance.	7	4/85	4/86
37. NWS - Engineering Activities 1/	Washington, DC*	Provides maintenance, reconditioning and quality control in support of the NWS technical equipment program. Provides engineering, facilities, and instrumentation support to NWS field installations. Provides a full spectrum of engineering support activities for the National Weather Service—*Also Kansas City, MO; Ft. Worth, TX; Salt Lake City, UT; Garden City, NY.	214	5/83	10/85
38. NWS - Test & Evaluation Division 1/	Sterling, VA	Conducts and evaluates laboratory and field tests of meteorological instruments and equipment, and observational methods and procedures.	39	4/83	4/85
39. NWS - Weather Chart Reproduction 1/	Camp Springs, MD	Provides technical support and weather chart reproduction services for NWS and other weather interests.	13	4/83	4/85
40. NWS - Communications Operations 1/	Suitland, MD	Provides for installation, operation, adjustment, and maintenance of communications equipment for NWS.	40	4/83	4/85
41. NWS - Alaska Region Activities 1/	Anchorage & Fairbanks, AK	Provides engineering facilities and instrumentation support to NWS field installations. Provides electronic maintenance for NWS instrumentation in the Anchorage, AK area. Provides electronic maintenance for NWS instrumentation at the WSFO, Fairbanks, AK.	35	3/84	7/85
42. NWS - Hawaii Region Activities 1/	Honolulu, HI	Provides electronic maintenance for NWS instrumentation at the WSFO, Honolulu, HI. Provides weather observations and communications support for the WSFO, Honolulu, HI.	21	11/83	7/85
43. NWS - NY Airport Observations 1/	New York, NY Newark, NJ	Provides aviation observations at the NY/Kennedy WSO, the Newark WSO, and the NY/La Guardia WSO.	12	4/84	9/85

Activity	Location	Description	FTE	Review Begin Date	Review End Date
44. NWS - LA Airport Observations 1/	Los Angeles & Long Beach, CA	Provides aviation observations at the Los Angeles International WSO/AU and the Long Beach WSO.	10	4/84	9/85
45. NWS - Dulles Airport Observations 1/	Chantilly, VA	Provides aviation observations at the Wash/Dulles International WSO.	9	5/83	6/85
46. NWS - NMC Computer Operations 1/	Suitland, MD	Provide comprehensive computer services to NOAA components as well as other DOC organizations. Responsibilities include installation, testing, modification, and operation of IMS computers.	50	10/84	2/86
47. NWS - O'Hare Airport Operations 1/	Chicago, IL	Provides aviation observations at the Chicago/O'Hare WSO.	6	5/83	6/85
48. NWS - Overseas Operations	SilverSpring, MD	Support of overseas weather operations.	34	4/85	10/86
49. NWS - Integrated Systems Lab	SilverSpring, MD	Systems development engineering.	41	4/86	10/87
50. NWS - AFOS Operations Division	SilverSpring, MD	Operation of communications systems.	71	10/85	4/87
51. NWS - Training Center	Kansas City, MO	Electronics and meteorological training.	42	1/86	7/87
		Total FTE	3,740		

1/ FY 1986 savings based on these reviews (36 reviews involving 2,813 FTEs) plus three reveiws completed in FY 1984. (**Note:** FTE and review end dates shown above were used to calculate FY 1986 savings; however, these figures are subject to adjustment as the review process continues).

2/ Governmental function; Most Efficient Organization (MEO) study only.

3/ FTE savings only; "Fish Funds" and inspection program supported thru user fees.

QUESTIONS SUBMITTED BY SENATOR HOLLINGS

QUESTION:

Mr. Secretary, Dr. Byrne resigned as NOAA's Administrator on November 1, 1984. Since then, the Deputy Administrator (Mr. Calio) has been the Acting Administrator.

Since about five months have elapsed since Dr. Byrne's departure, it is correct to assume that the administration is looking outside the agency for a new NOAA Administrator?

ANSWER:

To the best of my knowledge, the President has signed off on Tony Calio to become Administrator of NOAA. The President is expected to appoint Dr. Calio in the near future.

QUESTION:

If Congress, as I now expect, does not approve the rescissions, is the Department prepared to make the money available so that we can get on with the Economic Development, Trade Adjustment, Marine Research and other vital activities that have been hung up by the rescission?

ANSWER:

Yes.

QUESTION:

Representatives of the Coastal States Organization were told by NOAA's Acting Administrator that if the rescissions were not approved, then he would drag his feet in everyway possible to avoid obligating the CZM money. That seems to me to be a clear violation of the Budget Act. Is that an accurate statement of the Department's budget policy?

ANSWER:

No, that is not the Department's budget policy. It appears that the representatives of the Coastal States Organization have misinterpreted the comments of NOAA's Acting Administrator. The Department intends to obligate the CZM funds as soon as practicable, if the rescissions are not approved.

QUESTION:

In January 1985 NOAA official's reported informally that the White House had decided to nominate Curtis Mack, a fund raiser for the President, to be Deputy Administrator of NOAA. Mr. Mack's resume reflects no experience relevant to oceanic and atmospheric matters. Since nothing has yet been announced officially about Mr. Mack's nomination, can we assume that his name is no longer under consideration for a NOAA appointment?

ANSWER:

It is our understanding that Mr. Curtis Mack continues to be actively considered as the Administration's candidate to be Deputy Administrator of NOAA and should be nominated by the President to that position sometime in the near future.

QUESTION:

Last year as part of your proposal for a Department of Trade and Industry, you supported making NOAA an independent agency. Do you continue to support independent agency status for NOAA? If not, why has your view changed?

ANSWER:

Within the framework of International Trade and Industry, we did consider making NOAA an independent agency and we supported that. However, as the committee is aware, the President has decided not to push for enactment of the proposal. Absent a DITI, we continue to believe that NOAA is best served by being a part of the Department of Commerce with Secretarial representation at the Cabinet level.

QUESTION:

I understand that the day before he was to testify before Representative Barbara Mikulski's House Subcommittee on Oceanography (FEB. 26, 1985), the NOAA Acting Administrator declined to appear. His untimely response and failure to appear at a hearing on a number of proposed deep cuts in NOAA's budget raise questions about his possible future relationship with Congress should he be confirmed as Administrator. Can we expect the Acting Administrator to handle such invitations more responsively in the future, especially when major budgetary matters are involved?

ANSWER:

Dr. Calio's failure to appear before the House Subcommittee on Oceanography on February 26, 1985, was due to a scheduling conflict. On that date, he was meeting with the Regional Fisheries Council Chairman regarding the Administration's position on the Magnuson Act. He was represented before the Subcommittee by Acting Deputy Administrator of National Ocean Service, Bill Matuszeski; Assistant Administrator, Office of Oceanic and Atmospheric Research, Joe Fletcher; and Director, Office of Budget and Finance, John Carey. The Oceanography Subcommittee staff was notified several days prior to the hearing and attempts to reschedule the hearing were unsuccessful. We will continue to be responsive to Congress in the future on matters of importance between the Agency and the Hill.

Pay Costs

QUESTION:

The Department of Commerce is one of only 5 Cabinet Departments and independent agencies for which the Administration will not be proposing a supplemental appropriation or other budget authority to cover pay increases. What is the explanation for this?

ANSWER:

The OMB analysis of the 1985 costs of Federal pay raises shows that nine Cabinet Departments and independent agencies are absorbing all pay costs and nine civilian Departments and independent agencies are requesting supplementals for some portion of the 1985 pay costs. The total cost in 1985 is $4 billion and fully 38 percent of that can be absorbed within currently available funds.

We cannot speak for the situation in other agencies. But our analysis of Commerce programs indicates that all the costs involved, $26.7 million, can be absorbed within the budget activities in which they occur through such administrative actions as delays in filling vacancies and stretching out non-essential procurements. Any such actions will have minimal impact on Commerce programs.

QUESTION:

Would you please give the Committee a status report on the commercialization of the Land Remote Sensing Satellite system?

ANSWER:

Following the release of the President's 1986 Budget request, detailing the Administration's position on Landsat commercialization, the bidder, EOSAT, made a careful analysis of these requirements and provided a response in late February. This response is being analyzed by the Administration for compliance with the stipulations, and for impact on the budget. When this analysis is completed, and if the proposal meets the Administration's conditions, a budget amendment for FY 1986 and a supplemental request for FY 1985 will be submitted to Congress.

QUESTION:

What has caused the unusual delays associated with Commerce entering into a contractual agreement with EOSAT?

ANSWER:

The delay has been caused by the careful programmatic analysis that the Administration has given to this proposal and to the analysis of its impact on the overall Federal Budget.

QUESTION:

a. Will the final agreement conform to the requirements of the Land Remote-Sensing Commercialization Act (P.L. 98-365)? In addition,will the final contractual agreement result in net cost savings to the Federal Government?

b. What activities, if any, will other federal agencies be required to pursue as conditions of the final contractual agreement? What is the cost of these activities to the Federal Government?

c. Will all of the FY 1985 activities be funded with a FY 1985 Supplemental, or will other existing programs be taxed? When can the Commitee expect to see this supplemental request? What will be the amount of this request?

d. Will the Department be submitting an FY 86 Budget Amendment to accommodate these activities? What will be the amount of this request? What is the total estimated cost to the Federal Government, and how will this support be phased in?

ANSWER:

a. Yes, the Administration has insisted during the negotiations that all provisions of P.L. 98-365 be met by the proposed contract.

Compared to no government-run program following Landsat 5, this program represents an increase in budget outlays of $250 million over a four year period. However, compared to a continued government program, similar to the one currently in operation, this commercialization program represents a total savings over the period of the contract following Landsat 5 of between $575 million and 875 million. This comparison does not include Federal agency data purchases.

b. The listed Federal agencies will be required to continue to support the Landsat program in the areas indicated at the annual costs shown. These are covered within the existing Landsat operations budget.

	Total Estimated Cost for FY 85 (Dollars in Thousands)
NASA	$13,316

- Wide Band Communications
- Technical Management as Contracted
- Other Support Communications
- Building & Base Logistics
- Provide Landsat Spacecraft Orbital Parameters and other Information as Needed

- Photo Lab Support for TM Processing and MSS Quality Control
- Shipping and Receiving and Purchase Functions for Tapes and Product Delivery
- LAS Support for Quality Control and Public Relations Illustrations

DOI $6,310

- Maintain Retail Order Facilities at Field Locations of NCIC
- Maintain and Operate the National Archive of MSS Data
- Perform the Value Added Processing of MSS and TM Data from Inventory
- Perform the MSS and TM Sales Functions
- Support the Technical Interface Functions between themselves, NOAA and the successful contractor

NWS $120

- Provide Cloud Cover Forecasts for Landsat Data Collection Scheduling.

U.S. NAVY No charge

- Provide Naval Observatory Time Measurements on a Weekly Basis

U.S. AIR FORCE No charge

- Provide Orbit Measurements to NASA in Support of the Landsat 4/5 Spacecraft.

c. All activities for this contract will be funded from the existing Landsat Operations appropriations and the $75 million Supplemental Request. No other programs will be taxed in any way. The Committee will receive both the FY 1985 Supplemental Request for $75 million and the FY 1986 Appropriation Request for $90 million as soon as the Administration analysis is completed and an acceptable contract is negotiated with EOSAT. We hope to complete this process by early April.

d. An FY 1986 budget amendment will be submitted for $90 million as soon as the Administration analysis is completed and an acceptable contract is negotiated with EOSAT. The total estimated cost to the Federal Government for the commercialization is $250 million with the following phased support: FY 1985, $75 million; FY 1986, $90 million; FY 1987, $70 million; FY 1988, $15 million.

QUESTION:

a. What is the assumed launch vehicle for the two satellites that EOSAT will be required to launch as a condition of the contract?

b. Will the Government's financial support be limited to capital costs? Or will activities such as marketing be funded?

ANSWER:

a. EOSAT will be allowed to obtain the least expensive launch vehicle, which meets the technical and reliability requirements of the program. At this time, EOSAT would like to incorporate these launches within the USAF Titan II program.

b. The Federal Government's support will be limited to part of the capital costs. EOSAT will provide the additional amount of capital and all operation costs from partner investment and from revenues.

QUESTION:

a. What is the extent of the Government's liability pursuant to the terms of the contract in the event of the termination of the contract or if the land remote sensing system is taken over by the Government?

b. Will the contract meet the requirement of P.L. 98-365 that requires the assurance of six years of continuous data supply?

ANSWER:

a. The Government's liability extends only to the contract price, plus any increases resulting from the standard Economic Price Adjustment clause which allows for some increases or decreases for labor inflation. Early termination of the contract would result in costs less than the total stated above.

b. The contract will meet the requirement of reasonable assurance of six years of data continuity. If failure of either Landsat 6 or 7 occurs, there might be a data gap; however, neither the contract nor P.L. 98-365 requires data if there is a satellite failure, only that there be reasonable assurance based on the design, construction and operation of the satellite system.

QUESTION:

Will EOSAT be required to perform remote sensing research and development activities as a condition of the contract?

ANSWER:

EOSAT is not required to perform remote sensing research and development activities as a condition of the contract.

Trade

QUESTION:

Can you explain the Department's decision that the countervailing duty laws do not apply to non-market economies?

ANSWER:

We have concluded that the law cannot be applied to non-market economies (NME's) because no bounties or grants can be identified there. Bounties or grants are any actions that distort or subvert the market process and result in a misallocation of resources, encouraging inefficient production. Absent market forces, as in an NME, simply do not and cannot know whether resources are properly allocated. Thus we think bounties or grants have no meaning in the context of an NME, where the government not only interferes in the market process, but supplants it.

We would also note that our finding is currently being litigated and we are awaiting the Court of International Trade's ruling on this issue.

QUESTION:

There has been a lot of discussion about an import surcharge proposal; specifically, a declining, three-year surcharge across the board on all imports. Please outline the economic benefits and disadvantages of such a plan.

ANSWER:

Benefits:

- o By increasing tax receipts, an import surcharge will reduce the Federal budget deficit. As a temporary measure it could also be part of a long-term program to reduce the deficit.
- o The increase in the domestic price of imported manufactured goods will reduce the volume of imports thereby reducing the trade deficit.
- o The increase in the domestic prices of imports will offset the effects of the "overvalued" dollar.
- o A surcharge is a less inflationary and more economically efficient means of providing import relief than non-tariff barriers such as quotas.

Disadvantages:

- o An import surcharge would increase domestic inflation.

- If the Federal Reserve continues to follow a monetary rule, real GNP growth would be reduced by the increase in inflation. The net effect on the Federal deficit of the surcharge would be the difference between the increase in tax receipts generated by the surcharge, and the increase in net deficit generated by the indexing of tax rates and expenditures.

- The trade effects of the surcharge are likely to be offset by retaliation from our trading partners and by increases in the value of the dollar.

- An import surcharge would merely "paper over" the fundamental trade problems facing the U.S. without addressing the causes of the imbalance.

- An import surcharge would artificially alter relative prices of imported manufactured goods with respect to domestic goods and services reducing overall economic efficiency.

- The combined effect of reduced domestic economic efficiency and domestic inflation will increase the price and reduce the volume of U.S. exports, offsetting the expected reduction in our trade deficit.

- Given the existing value of the dollar, many foreign exporters will be able to absorb the import surcharge, thus preserving their price competitiveness in U.S. markets by reducing their prices. As a consequence, U.S. imports would not be reduced as much as anticipated.

QUESTION:

In the textile countervailing duty cases decided recently, briefly describe: a) the duties assessed; b) suspension agreements reached; and c) cases where no duty was assessed.

ANSWER:

In final determinations made between March 5 and 8, Commerce found that imports of textile mill products and apparel from 5 countries were being subsidized:

Ad Valorem Countervailing Duty Rates

	Textile Mill Products	Apparel
Argentina	4.53%	9.87%
Mexico	3.70%	no case filed
Peru	2.88%	.0%
Sri Lanka	5.00%	3.06%
Thailand	suspended	1.23%

Proceedings were suspended with respect to textile mill products and apparel from Colombia, and textile mill products from Thailand. These suspensions were based on agreements by the exporters not to apply for or receive any subsidies on exports of the covered products. Commerce will monitor these agreements to ensure compliance.

No duties will be assessed on exports of textile mill products and apparel from Malaysia and Singapore. Commerce found that no subsidies were being provided to these exports.

Office of Textiles and Apparel

QUESTION:

I will make part of the record a summary the Department prepared of the funding of the Office of Textiles and Apparel (OTEXA). While the personnel level is being retained, the funding of the office is being reduced by almost $1,300,000. Greatly reduced levels are estimated in the areas of other service, $353,000; and the export expansion program $1,000,000. There are footnotes indicating that "ITA is committed to continuing the export expansion program but spending plans are not yet firm."

I am glad to see that ITA is committed to the export expansion program but could you not put a little flesh on those fragile bones? It would be a lot more reassuring if we could have a monetary figure for that commitment.

ANSWER:

Historically the Textile/Apparel Export Expansion Program has been funded out of Trade Adjustment Assistance Funds. The Administration has proposed the elimination of the Trade Adjustment Assistance (TAA) Program in FY 1986. No specific funding plans for the Textile/Apparel Export Program in FY 1986 have been developed to date.

QUESTION:

What accounts for the $358,000 being spent for other services in fiscal 1985 and why is it being reduced to only $5,000 for 1986?

ANSWER:

$356,000 is being spent out of TIMS funds, and $2,000 out of other funds, in 1985 for "other services." Specifically, the TIMS funds are being used to procure consumption data for the textile and apparel data base, to pay for ADP services from the NIH Computer Center and the Department of Commerce Computer Center in support of the Textile Information Management System, and to pay the Census Bureau for an import data reconciliation system. The reduction to $5,000 in FY 1986 reflects the exhaustion of existing TIMS funds by the end of FY 1985.

QUESTION:

The Textile Information Management System (TIMS) has been basically living off the money we appropriated years ago. We will use up those funds in fiscal 1985. Again, it is noted that ITA is committed to continuing the program.

Do you not agree with the textile industry that TIMS is a vital tool in fighting imports and supplying information for negotiations? If so, then how can anything so basic not be budgeted?

ANSWER:

The Administration agrees that TIMS is a vital tool in fighting imports and supplying information for negotiations. As with the Textile/Apparel Export Expansion Program, ITA is committed to continuing the TIMS program in FY 1986.

QUESTION:

If I understand the summary, we spent $304,000 on TIMS in 1984 and expect to spend $389,000 in 1985. What is your best estimate of what will be required to operate TIMS in fiscal 1986?

ANSWER:

$162,000 was spent on TIMS in FY 1984 and we expect to spend $389,000 for TIMS in FY 1985. About $490,000 will be required to operate TIMS in fiscal 1986.

QUESTION:

Mr. Secretary, the use of Trade Adjustment Assistance funds to carry out research on automation in apparel manufacture has been one of the most creative developments in this sector in recent years. Just at the point where the first successes are in place, the Commerce Department is backing away from continuing this cooperative effort with the Tailored Clothing Technology Corporation (TC^2). How will this important work move ahead if the Trade Adjustment Assistance program is abolished?

ANSWER:

The Department has recently awarded $3.5 million to TC^2 to continue this work into its fifth year. The Department has contributed $5,000,000 to this program since FY 1981. I feel that TC^2 can be funded in 1986 through increased private contributions. Starting in the fourth year of the TC^2 program, the industry contributions have exceeded the Government's investment.

QUESTION:

Mr. Secretary, I note that with the abolishment of the Trade Adjustment Assistance Program, there is no support available for the apparel program in your program. Do you plan to abandon this small but useful assistance to this industry in FY 86?

ANSWER:

Many of the projects funded in the apparel industry with Trade Adjustment Assistance (TAA) funds have been continued either with industry contributions or other Government funding, and this was the goal of our past assistance. The past projects which have not generated interest and self-sufficiency for continuation have been poor and wasteful TAA projects and this is a reason that TAA is to be abolished. The Department will continue to have its Office of Textiles and Apparel assist the apparel industry with export promotion and other important support activities.

Trade Adjustment Assistance

QUESTION:

Mr. Secretary, on January 16, 1985, Senator Thurmond announced that you had notified him that a $3,000,000 trade adjustment loan had been approved for Simpsonville Mills. It was a joy to read the good news in the papers. We have followed up on that and find that the actual loan has not been closed.

As you know, the purpose of this assistance was to save 675 jobs. When can we expect the Simpsonville Mills loan to be finally approved and disbursed?

ANSWER:

The Simpsonville Mills financial assistance, in the form of a guaranteed loan totalling $3,000,000 for fixed assets and working capital, was approved on January 25, 1985, and accepted by the lender, Congress Factors Corporation, on March 1, 1985. Presently, ITA attorneys, the lender's attorneys and the borrower are preparing the required documents for closing. It has been determined (after conversations with all parties involved on 3/29/84) that all the required documents should be received in final form and our legal review completed in time to meet the scheduled closing date of April 30, 1985.

QUESTION:

Be assured that I share your decision that the Simpsonville Mills assistance was well justified. However, I also believe that we need to retain the Trade Adjustment Assistance Program at current levels, as America's textile and other industries are being tubed by imports. You are again seeking to eliminate the program. Aren't there a lot more Simpsonville's out there, that a small measure of trade adjustment assistance could turn around and save jobs, and restore the economic health of many communities?

ANSWER:

The Trade Adjustment Assistance Program may have permitted some firms to adjust and become profitable, however, the overall high default rates indicate that the majority of these firms are not adjusting. This program singles out firms impacted by imports for assistance, although, in general, these firms suffer far more seriously from other problems for which this program cannot provide any meaningful relief. Firms suffering from unfair trade practices have available other forms of relief. The Trade Adjustment Assistance Program raises false expectations among businesses that Government intervention in the management of private sector firms can rectify competitive disadvantages.

Section 7 of the Clayton Act

QUESTION:

Mr. Secretary, recently, the new FTC Commissioner (Mary Azcunaga) during the Senate confirmation process, responded negatively to questions about your proposal to repeal Section 7 of the Clayton Act (the authority by which both the FTC and the Justice Department prevent anticompetitive mergers).

Apparently your desire to repeal Section 7 of the Clayton Act is based on your feeling that it puts U.S. businesses at a disadvantage with foreign competition. Commissioner Azcunaga believes that foreign competition is already considered in deciding whether to bring an enforcement action under current law.

1. Would you comment?
2. What reaction have you had to your proposal from the Chairman of the FTC and the Assistant Attorney General for Antitrust?

ANSWER:

Section 7 sets a very low standard for blocking a merger or acquisition. The law was intended to stop any merger or acquisition which might tend to have anticompetitive effects. The economic efficiencies which might result were not to be given any recognition. In the 1950's, the early days of Section 7 in its present form, we were more concerned with the structure of business here at home. We were willing to do without any benefits from a merger just to avoid even the smallest possibility of collusive behavior by big firms in concentrated markets. At that time, we were safe in striking that balance, given the complete dominance of American business and the lack of any meaningful competition from other countries. Times have changed. American business must now compete with foreign businesses for both domestic and international markets. American business needs every possible efficiency it can muster. The intent of Clayton 7 is simply no longer valid.

The Chairman of the FTC and the outgoing Assistant Attorney General for Antitrust have both opposed my proposal. Both the Chairman and the Assistant General Counsel believe that current enforcement policy, including the Justice Department's 1984 merger guidelines, achieves the ends which I seek: the possible efficiencies of a proposed merger or acquisition and the impact of foreign competition are considered in deciding whether to challenge a proposed merger or acquisition.

I think that the current enforcement policy is a good one. It reflects the way business must operate in today's world. But my point is that while these two agencies may use current enforcement policy to seek the same goals as I do, others are not bound by the guidelines. Private competitors can and do challenge a merger under Section 7, inflicting high transaction costs in the form of litigation often for private rather than public goals. The courts, which decide all challenges, private and governmental alike, are bound by the law, not by current Department of Justice or FTC policies. Any guidelines which reflect current business conditions are going to be out of synch with case law and the intent of Section 7. The inconsistency is a problem for long-term business planning. I believe that the better resolution of this inconsistency is the repeal of Section 7.

QUESTION:

3. Who in the Administration supports your proposal to repeal Section 7 of the Clayton Act?

ANSWER:

We are still in the process of building a consensus within the Administration.

QUESTION:

4. Do any members of the academic commmunity support repeal of Section 7?

ANSWER:

I am told that modern economic theory supports my proposal. Theories about the evils of bigness and resulting collusion in concentrated markets can be discredited with more modern, detailed data. My proposal is not based on academic notions. I am much more concerned with the realities of doing business in the modern international market place. Mergers and acquisitions can create stronger competitors. Our antitrust laws must not unnecessarily inhibit arrangements in which economic benefits outweigh potential anticompetitive effects.

Economic Development Administration

QUESTION:

Mr. Secretary, last year the Subcommittee was promised a list of projects funded in areas eligible by EDA's basic criteria, and those in areas maintaining their eligibility due to the moratoriums of de-designation. Was that report prepared as we do not recall receiving it? If not, could we get that information for fiscal year 1984?

ANSWER:

Following the last question is a printout entitled "Listing of Projects in Holdover Areas for FY 1982 through FY 1984 for Public Works" which provides that information.

QUESTION:

I requested that information because you indicated that your opposition to EDA was based on the large number of eligible areas due to the moratorium. Do you not have the discretion to mandate that only the areas of highest unemployment, or lowest income, will be assisted and why don't you use that authority?

ANSWER:

EDA does attempt to target its financial assistance to areas with high unemployment rates or low per capita incomes. The October 9, 1984 EDA announcement on the availability of fiscal year 1985 program funds in the Federal Register notes this targeting will occur. For example, the selection criteria section for the Public Works program states, "For both Regular Public Works projects and Public Works Impact (PWIP) projects, priority consideration will be given to projects which best meet the relative needs of eligible areas, and are in areas of high unemploymen and/or low per capita income."

QUESTION:

Last year I inquired about the Department's allocation strategy and the response was the manner in which the funds are allocated to EDA's Regional Offices. I was looking for something more basic.

Given the Administration's opposition to EDA, and the comparatively limited funds available, how do you make your choices? Is there a priority for the worst-off areas: or the projects with the biggest bang for the buck: or what is the emphasis of this Administration?

ANSWER:

As noted in the response to the previous question, EDA does attempt to direct its financial assistance programs to those areas with the highest levels of unemployment and/or the lowest levels of per capita income. Other factors, of course, are also considered in selecting projects for funding. Depending upon the strength of these factors, a project might be funded in an area which has a comparatively lower unemployment rate or higher per capita income than in other areas. Again, for the Regular Public Works program, these factors include the number of jobs created or retained in the private sector, the cost per job ratio, private sector support, and the degree to which the project supports Departmental goals, such increasing exports, assisting minority business development, and assisting the development of domestic fisheries.

QUESTION:

At the end of December there were 748 counties with unemployment rates higher than 12 percent. The rate in Marion County, South Carolina, was 15 percent. In view of the general national prosperity, it is evident the Administration's "trickle down" responses are not reaching the Marion Counties of our Nation.

Since the Administration is opposed to EDA, Appalachia, and other forms of economic development assistance, at what date will the citizens of Marion County expect the Administration's "trickle down" policy to bring unemployment in their county below 6%?

ANSWER:

This Administration is confident that these areas will utimately benefit from continued expansion of the national economy. Under the current Administration forecast, real GNP will grow at 4 percent through 1988 and national unemployment will decline for the rest of the decade. A sustained expansion at this rate will eventually lead to full employment, full capacity and constrained growth in many areas of the Nation. At this point, further expansion would require growth in lagging areas or major interarea shifts in labor and capital.

The principle of depending on the growing national economy to solve development problems in particular regions is commonly expressed in the saying, "a rising tide raises all boats." It would be an exaggeration to say that all problems with economically distressed areas would be alleviated by national expansion in the national economy; however, it will produce beneficial economic effects in many distressed areas.

ECONOMIC DEVELOPMENT ADMINISTRATION

LISTING OF PROJECTS IN HOLDOVER AREAS FOR FY 82 THRU 84
FOR PUBLIC WORKS

EDA AREA NAME	FY CONS IDER	PROJECT NUMBER	APPLICANT NAME	PRJ ST. AB.	PROJECT DESCRIPTION	EDA DOLLARS
CARROLL COUNTY	82	080102330	CARROLL-BOONE WRT DIST	AR	CONST WATER TRANS LINE	3300000
****** SUBTOTALS FOR - EDA AREA NAME = CARROLL COUNTY						3300000
****** SUBTOTALS FOR - PRJ ST. AB. = AR						3300000
CONTRA COSTA COUNTY	82	070102510	RICHMOND, CITY OF	CA	STREET ACCESS IMPRVMENTS	672757
****** SUBTOTALS FOR - EDA AREA NAME = CONTRA COSTA COUNTY						672757
****** SUBTOTALS FOR - PRJ ST. AB. = CA						672757
COFFEE COUNTY	82	040103095	SE GA AGRI PROD&DEV CORP	GA	ETHANOL/GASOHOL FACILITY	437890
****** SUBTOTALS FOR - EDA AREA NAME = COFFEE COUNTY						437890
FULTON COUNTY	82	040103041	ATLANTA/CLAYTON COUNTY	GA	ACC RDS ARPRT IND AREA	850000
FULTON COUNTY	82	040103119	ATLANTA,CITY OF	GA	URBAN IND PARK	1000000
****** SUBTOTALS FOR - EDA AREA NAME = FULTON COUNTY						1850000
****** SUBTOTALS FOR - PRJ ST. AB. = GA						2287890
JEFFERSON COUNTY	82	050102079	FAIRFIELD ECO DV ASSO	IA	CONST RAIL LINE	210592
****** SUBTOTALS FOR - EDA AREA NAME = JEFFERSON COUNTY						210592
SIOUX CITY, CITY OF	82	050102093	CITY OF SIOUX CITY	IA	IMPROVE INDUSTRIAL PARK	356000
****** SUBTOTALS FOR - EDA AREA NAME = SIOUX CITY, CITY OF						356000
****** SUBTOTALS FOR - PRJ ST. AB. = IA						566592
BINGHAM COUNTY	82	070102591	BLACKFOOT, CITY OF	ID	WATER SYSTEM IMPROVEMENT	858271

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LISTING OF PROJECTS IN HOLDOVER AREAS FOR FY 82 THRU 84
FOR PUBLIC WORKS

EDA                          FY                                     PRJ
AREA                         CONS PROJECT     APPLICANT             ST.  PROJECT                      EDA
NAME                         IDER NUMBER      NAME                  AB.  DESCRIPTION                  DOLLARS

******    SUBTOTALS FOR - EDA AREA NAME = BINGHAM COUNTY
                                                                                                       858271

NEZ PERCE COUNTY             82 070102608     CITY OF LEWISTON      ID   DOWNTOWN REVITALIZATION       600000

******    SUBTOTALS FOR - EDA AREA NAME = NEZ PERCE COUNTY
                                                                                                       600000


******    SUBTOTALS FOR - PRJ ST. AB. = ID
                                                                                                      1458271

DUBOIS COUNTY                82 060101886     PATOKA LAKE W/S DIS   IN   SEWAGE TREATMENT              559200
DUBOIS COUNTY                82 060101897     JASPER CITY OF        IN   IMPRV IND ACC RD/STR SEW      517200

******    SUBTOTALS FOR - EDA AREA NAME = DUBOIS COUNTY
                                                                                                      1076400


******    SUBTOTALS FOR - PRJ ST. AB. = IN
                                                                                                      1076400

BOSTON CITY OF               82 010102410     I.B.A. (BOSTON)       MA   CONST MULTIPURPOSE BLDG       223200

******    SUBTOTALS FOR - EDA AREA NAME = BOSTON CITY OF
                                                                                                       223200


******    SUBTOTALS FOR - PRJ ST. AB. = MA
                                                                                                       223200

BALTIMORE CITY               82 011102443     BALTIMORE, CITY OF    MD   DEVP IND PK                  1500000

******    SUBTOTALS FOR - EDA AREA NAME = BALTIMORE CITY
                                                                                                      1500000


******    SUBTOTALS FOR - PRJ ST. AB. = MD
                                                                                                      1500000

CARTERET COUNTY              82 040103093     CARTERET CO/CARTERET TEC NC CONVENTION/DEV CTR          1800000

******    SUBTOTALS FOR - EDA AREA NAME = CARTERET COUNTY
                                                                                                      1800000

GREENE COUNTY                82 040103118     SNOW HILL, TOWN OF    NC   WTR SYS IMPRVMNTS/STRG T      342600
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LISTING OF PROJECTS IN HOLDOVER AREAS FOR FY 82 THRU 84
FOR PUBLIC WORKS

EDA AREA NAME	FY CONS IDER	PROJECT NUMBER	APPLICANT NAME	PRJ ST. AB.	PROJECT DESCRIPTION	EDA DOLLARS
****** SUBTOTALS FOR - EDA AREA NAME = GREENE COUNTY						342600
****** SUBTOTALS FOR - PRJ ST. AB. = NC						2142600
GRAFTON COUNTY	82	010102447	LITTLETON, TOWN OF	NH	EXTEND WTR & SWR SYS	500000
****** SUBTOTALS FOR - EDA AREA NAME = GRAFTON COUNTY						500000
****** SUBTOTALS FOR - PRJ ST. AB. = NH						500000
ATLANTIC COUNTY	82	01110242560	ATLANTIC CITY, CITY OF	NJ	PWIP ENERGY	100000
****** SUBTOTALS FOR - EDA AREA NAME = ATLANTIC COUNTY						100000
HUNTERDON COUNTY	82	010102444	HUNTERDON TRAINING CTR	NJ	REHAB IND BLDG	850000
****** SUBTOTALS FOR - EDA AREA NAME = HUNTERDON COUNTY						850000
****** SUBTOTALS FOR - PRJ ST. AB. = NJ						950000
MONROE COUNTY	82	010102436	E ROCHESTER, VILLAGE OF	NY	IMPR IND PK	600000
****** SUBTOTALS FOR - EDA AREA NAME = MONROE COUNTY						600000
ONEIDA COUNTY	82	011102434	UTICA, CITY OF	NY	CONST WALKWAY	311570
****** SUBTOTALS FOR - EDA AREA NAME = ONEIDA COUNTY						311570
SUFFOLK COUNTY	82	010102342	SUFFOLK, COUNTY OF	NY	CONST FISH PIER	550000
****** SUBTOTALS FOR - EDA AREA NAME = SUFFOLK COUNTY						550000
****** SUBTOTALS FOR - PRJ ST. AB. = NY						1461570

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LISTING OF PROJECTS IN HOLDOVER AREAS FOR FY 82 THRU 84
FOR PUBLIC WORKS

EDA                        FY                                          PRJ
AREA                       CONS-PROJECT     APPLICANT                  ST.  PROJECT                       EDA
NAME                       IDER NUMBER      NAME                       AB.  DESCRIPTION                   DOLLARS

PHILADELPHIA CITY/CNTY      82 010102418    PHILA REDEVELOPMENT AUTH   PA   DEVP COMMERCIAL CTR           3347000

******    SUBTOTALS FOR - EDA AREA NAME = PHILADELPHIA CITY/CNTY
                                                                                                          3347000

******    SUBTOTALS FOR - PRJ ST. AB. = PA
                                                                                                          3347000

CHARLESTON COUNTY           82 04010190201  CHARLESTON, CITY OF        SC   O/R ST IMP & PK GARAGE        1000000

******    SUBTOTALS FOR - EDA AREA NAME = CHARLESTON COUNTY
                                                                                                          1000000

DORCHESTER COUNTY           82 041103116    SUMMERVILLE, TOWN OF       SC   EMER DISASTER-COMM BLDG        420000

******    SUBTOTALS FOR - EDA AREA NAME = DORCHESTER COUNTY
                                                                                                           420000

******    SUBTOTALS FOR - PRJ ST. AB. = SC
                                                                                                          1420000

NASHVILLE-DAVIDSON          82 041103117    FISK UNIVERSITY            TN   RENOVATION OF ART BLDG         400000

******    SUBTOTALS FOR - EDA AREA NAME = NASHVILLE-DAVIDSON
                                                                                                           400000

OBION COUNTY                82 041103127    KENTON, TOWN OF            TN   WTR SYSTEM IMPROVEMENTS        810000

******    SUBTOTALS FOR - EDA AREA NAME = OBION COUNTY
                                                                                                           810000

******    SUBTOTALS FOR - PRJ ST. AB. = TN
                                                                                                          1210000

UTAH COUNTY                 82 050102080    SPRINGVILLE CITY CORP      UT   IMPROVE INDUSTRIAL PARK       1000000

******    SUBTOTALS FOR - EDA AREA NAME = UTAH COUNTY
                                                                                                          1000000

******    SUBTOTALS FOR - PRJ ST. AB. = UT
                                                                                                          1000000

KITSAP COUNTY               82 070102617    PT GAMBLE KLALLAM TRIBE    WA   MOBILE HOME PK&CONV.STOR       250000
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LISTING OF PROJECTS IN HOLDOVER AREAS FOR FY 82 THRU 84
FOR PUBLIC WORKS

EDA                       FY                                     PRJ
AREA                      CONS PROJECT    APPLICANT              ST. PROJECT                    EDA
NAME                      IDER NUMBER     NAME                   AB. DESCRIPTION                DOLLARS


******    SUBTOTALS FOR - EDA AREA NAME = KITSAP COUNTY                                          250000


******    SUBTOTALS FOR - PRJ ST. AB. = WA                                                       250000


******    SUBTOTALS FOR - FY CONS IDER = 82 (28 PROJECTS)                                      23366280

MADISON COUNTY            83 040103175   HUNTSVILLE, CITY OF     AL  ACC RD:IND PK               450000

******    SUBTOTALS FOR - EDA AREA NAME = MADISON COUNTY                                         450000


******    SUBTOTALS FOR - PRJ ST. AB. = AL                                                       450000

BOONE COUNTY              83 080102340   CARROLL-BOONE WTR DIST  AR  CONST WATER TRANS LINE     3075000

******    SUBTOTALS FOR - EDA AREA NAME = BOONE COUNTY                                          3075000

PULASKI COUNTY            83 080102369   MAUMELLE IMPRV DIST #500 AR INDL PARK IMPROVEMENTS      232800

******    SUBTOTALS FOR - EDA AREA NAME = PULASKI COUNTY                                         232800


******    SUBTOTALS FOR - PRJ ST. AB. = AR                                                      3307800

PHOENIX, CITY OF          83 072100021   PHOENIX, CITY OF        AZ  IMPROVE/CONSTRUCT STREET    974000

******    SUBTOTALS FOR - EDA AREA NAME = PHOENIX, CITY OF                                       974000


******    SUBTOTALS FOR - PRJ ST. AB. = AZ                                                       974000

ORANGE COUNTY             83 071102677   SANTA ANA, CITY OF      CA  OPEN-AIR MARKET BLDGS       450000

******    SUBTOTALS FOR - EDA AREA NAME = ORANGE COUNTY                                          450000
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LISTING OF PROJECTS IN HOLDOVER AREAS FOR FY 82 THRU 84
FOR PUBLIC WORKS

EDA                       FY                                            PRJ
AREA                    CONS PROJECT     APPLICANT                      ST.  PROJECT                       EDA
NAME                    IDER NUMBER      NAME                           AB.  DESCRIPTION                   DOLLARS

SAN JOSE, CITY OF          83 072200022   CENTER FOR EMPLYMT TRNG   CA  RENOVATE TRAINING CENTER      1000000

******    SUBTOTALS FOR - EDA AREA NAME = SAN JOSE, CITY OF
                                                                                                     1000000

SONOMA COUNTY              83 071102686   SONOMA COUNTY REG PARKS   CA  SPUD POINT MARINA             1000000

******    SUBTOTALS FOR - EDA AREA NAME = SONOMA COUNTY
                                                                                                     1000000


******    SUBTOTALS FOR - PRJ ST. AB. = CA
                                                                                                     2450000

HARTFORD AREA              83 010102507   CT DEPT OF ECONOMIC DEVP CT  REHAB IND BLDG                 365800
HARTFORD AREA              83 010102510   CT DEPT OF ECONOMIC DEVP CT  DEVP IND PK                    800000

******    SUBTOTALS FOR - EDA AREA NAME = HARTFORD AREA
                                                                                                     1165800

WATERBURY AREA             83 012100002   WATERBURY, CITY OF        CT  INDUST PK IMPROVE              600000

******    SUBTOTALS FOR - EDA AREA NAME = WATERBURY AREA
                                                                                                      600000


******    SUBTOTALS FOR - PRJ ST. AB. = CT
                                                                                                     1765800

GADSDEN COUNTY             83 041103209   GRETNA, CITY OF           FL  CONST COMMERCIAL BLDG          192000

******    SUBTOTALS FOR - EDA AREA NAME = GADSDEN COUNTY
                                                                                                      192000

OKALOOSA COUNTY            83 042200001   OKALOOSA COUNTY OF        FL  WATER SYSTEM IMPROVMTS         433000

******    SUBTOTALS FOR - EDA AREA NAME = OKALOOSA COUNTY
                                                                                                      433000


******    SUBTOTALS FOR - PRJ ST. AB. = FL
                                                                                                      625000

BARROW COUNTY              83 040103184   WINDER, CITY OF           GA  CONST STORAGE TANK,IMPRV       200000

******    SUBTOTALS FOR - EDA AREA NAME = BARROW COUNTY
                                                                                                      200000

BEN HILL COUNTY            83 042200005   BEN HILL COUNTY           GA  COUNTY HOSPITAL REHAB.         187600
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LISTING OF PROJECTS IN HOLDOVER AREAS FOR FY 82 THRU 84
FOR PUBLIC WORKS

EDA AREA NAME	FY CONS IDER	PROJECT NUMBER	APPLICANT NAME	PRJ ST. AB.	PROJECT DESCRIPTION	EDA DOLLARS
****** SUBTOTALS FOR - EDA AREA NAME = BEN HILL COUNTY						187600
BIBB COUNTY	83	040103182	MACON, CITY OF	GA	CONST ELEV WTR STRG TNK	325000
****** SUBTOTALS FOR - EDA AREA NAME = BIBB COUNTY						325000
STEPHENS COUNTY	83	040103194	TOCCOA, CITY OF	GA	RAW WATER LINE	1163400
****** SUBTOTALS FOR - EDA AREA NAME = STEPHENS COUNTY						1163400
TIFT COUNTY	83	040103198	TIFT CO & TIFTON,CITY OF	GA	CONST W/S/AC RD:IND PK	662000
****** SUBTOTALS FOR - EDA AREA NAME = TIFT COUNTY						662000
WARE COUNTY	83	040103145	WAYCROSS, CITY OF	GA	CONST WTR,SAN SWR,DRN	386476
****** SUBTOTALS FOR - EDA AREA NAME = WARE COUNTY						386476
WHITFIELD COUNTY	83	040103207	WHITFIELD COUNTY	GA	EXT WTR/SWR:IND AREA	300000
****** SUBTOTALS FOR - EDA AREA NAME = WHITFIELD COUNTY						300000
****** SUBTOTALS FOR - PRJ ST. AB. = GA						3224476
LAKE COUNTY	83	060101965	NORTH CHICAGO CITY OF	IL	REBUILD 2 AVENUES	436000
****** SUBTOTALS FOR - EDA AREA NAME = LAKE COUNTY						436000
****** SUBTOTALS FOR - PRJ ST. AB. = IL						436000
BUTLER COUNTY	83	052100002	ANDOVER CITY OF	KS	IMPRVE SAFETY N CAPACITY	483500
****** SUBTOTALS FOR - EDA AREA NAME = BUTLER COUNTY						483500
SEDGWICK COUNTY	83	050102123	CITY OF PARK CITY	KS	UTIL. TO SERVE IND/COM S	400000

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LISTING OF PROJECTS IN HOLDOVER AREAS FOR FY 82 THRU 84
FOR PUBLIC WORKS

EDA                       FY                                       PRJ
AREA                     CONS PROJECT    APPLICANT                 ST.  PROJECT                   EDA
NAME                     IDER NUMBER     NAME                      AB.  DESCRIPTION               DOLLARS

******    SUBTOTALS FOR - EDA AREA NAME = SEDGWICK COUNTY
                                                                                                    400000


******    SUBTOTALS FOR - PRJ ST. AB. = KS
                                                                                                    883500

NORTH ADAMS AREA           83 011102542   NORTHERN BERKSHIRE EDC    MA   REHAB IND BLDG             600000

******    SUBTOTALS FOR - EDA AREA NAME = NORTH ADAMS AREA
                                                                                                    600000


******    SUBTOTALS FOR - PRJ ST. AB. = MA
                                                                                                    600000

BALTIMORE CITY             83 012100008   BALTIMORE CITY OF         MD   BIOMEDICAL RESEARCH CTR   1116700

******    SUBTOTALS FOR - EDA AREA NAME = BALTIMORE CITY
                                                                                                   1116700

CARROLL COUNTY             83 012100007   TANEYTOWN, CITY OF        MD   WATER MAIN EXTENSION        78000

******    SUBTOTALS FOR - EDA AREA NAME = CARROLL COUNTY
                                                                                                     78000


******    SUBTOTALS FOR - PRJ ST. AB. = MD
                                                                                                   1194700

LEWISTON-AUBURN AREA       83 010102517   LISBON DEVP CORP          ME   IMPR IND PK                136500

******    SUBTOTALS FOR - EDA AREA NAME = LEWISTON-AUBURN AREA
                                                                                                    136500


******    SUBTOTALS FOR - PRJ ST. AB. = ME
                                                                                                    136500

LAKE COUNTY                83 052100005   POLSON, CITY OF           MT   INSTALL SEWER LINE         357240

******    SUBTOTALS FOR - EDA AREA NAME = LAKE COUNTY
                                                                                                    357240


******    SUBTOTALS FOR - PRJ ST. AB. = MT
                                                                                                    357240
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LISTING OF PROJECTS IN HOLDOVER AREAS FOR FY 82 THRU 84
FOR PUBLIC WORKS

EDA                       FY                                       PRJ
AREA                      CONS PROJECT    APPLICANT                ST. PROJECT                     EDA
NAME                      IDER NUMBER     NAME                     AB. DESCRIPTION                 DOLLARS

BUNCOMBE COUNTY             83 040103206  ASHVLE-BUNCOMBE WTR AUTH NC  CONST WTR TRTMNT PLT          1200000

******    SUBTOTALS FOR - EDA AREA NAME = BUNCOMBE COUNTY
                                                                                                   1200000

CATAWBA COUNTY              83 040103169  CONOVER, CITY OF         NC  SEWERAGE PLANT EXPANSION       425000

******    SUBTOTALS FOR - EDA AREA NAME = CATAWBA COUNTY
                                                                                                    425000

GASTON COUNTY               83 042100019  CHERRYVILLE COM DEV CORP NC  WATER FACILITIES FOR SLC       375000

******    SUBTOTALS FOR - EDA AREA NAME = GASTON COUNTY
                                                                                                    375000

JOHNSTON COUNTY             83 042200023  JOHNSON TECH. COLLEGE    NC  COMPUTER TECH. CENTER          249000

******    SUBTOTALS FOR - EDA AREA NAME = JOHNSTON COUNTY
                                                                                                    249000


******    SUBTOTALS FOR - PRJ ST. AB. = NC
                                                                                                   2249000

COOS COUNTY                 83 010102523  WHITEFIELD, TOWN OF      NH  DEVP AIR IND PARK              875000

******    SUBTOTALS FOR - EDA AREA NAME = COOS COUNTY
                                                                                                    875000


******    SUBTOTALS FOR - PRJ ST. AB. = NH
                                                                                                    875000

MIDDLESEX COUNTY            83 010102504  PERTH AMBOY, CITY OF     NJ  IMPR WTR SYS                  2500000

******    SUBTOTALS FOR - EDA AREA NAME = MIDDLESEX COUNTY
                                                                                                   2500000

UNION COUNTY                83 010102529  NEW JERSEY EDA           NJ  REHAB IND COMPLEX             2000000

******    SUBTOTALS FOR - EDA AREA NAME = UNION COUNTY
                                                                                                   2000000


******    SUBTOTALS FOR - PRJ ST. AB. = NJ
                                                                                                   4500000

ONEIDA COUNTY               83 010102530  CAMDEN, VILLAGE OF       NY  IMPR WTR SYS                   718900
ONEIDA COUNTY               83 010102532  SHERRILL-KENWOOD WTR DST NY  CONST RESERVOIR & MAINS        784000
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LISTING OF PROJECTS IN HOLDOVER AREAS FOR FY 82 THRU 84
FOR PUBLIC WORKS

EDA                        FY                                          PRJ
AREA                       CONS PROJECT     APPLICANT                  ST.  PROJECT                        EDA
NAME                       IDER NUMBER      NAME                       AB.  DESCRIPTION                    DOLLARS

******     SUBTOTALS FOR - EDA AREA NAME = ONEIDA COUNTY
                                                                                                           1502900

ORANGE COUNTY                83 010102531   NEWBERG, CITY OF           NY   DEVP IND PK                    1200000

******     SUBTOTALS FOR - EDA AREA NAME = ORANGE COUNTY
                                                                                                           1200000


******     SUBTOTALS FOR - PRJ ST. AB. = NY
                                                                                                           2702900

PHILADELPHIA CITY/CNTY       83 011102527   PHILADELPHIA, CITY OF      PA   REHAB PIER SHEDS                676800

******     SUBTOTALS FOR - EDA AREA NAME = PHILADELPHIA CITY/CNTY
                                                                                                            676800


******     SUBTOTALS FOR - PRJ ST. AB. = PA
                                                                                                            676800

BERKELEY COUNTY              83 042100014   BERKELEY, COUNTY OF        SC   SEWER SERVICE EXTENSION         208500

******     SUBTOTALS FOR - EDA AREA NAME = BERKELEY COUNTY
                                                                                                            208500

CHEROKEE COUNTY              83 042200016   GAFFNEY, CITY OF           SC   MULTIPURPOSE CENTER             267350

******     SUBTOTALS FOR - EDA AREA NAME = CHEROKEE COUNTY
                                                                                                            267350


******     SUBTOTALS FOR - PRJ ST. AB. = SC
                                                                                                            475850

NASHVILLE-DAVIDSON           83 040103160   MET NASHVILLE/DAVIDSN CO TN W/S RAIL TO POVT IND ARE       775000

******     SUBTOTALS FOR - EDA AREA NAME = NASHVILLE-DAVIDSON
                                                                                                            775000


******     SUBTOTALS FOR - PRJ ST. AB. = TN
                                                                                                            775000

SALT LAKE COUNTY             83 050102122   SOUTH SALT LAKE CITY       UT   CONSTR IND.ST. IMPROVE          740000
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LISTING OF PROJECTS IN HOLDOVER AREAS FOR FY 82 THRU 84
FOR PUBLIC WORKS

EDA AREA NAME	FY CONS IDER	PROJECT NUMBER	APPLICANT NAME	PRJ ST. AB.	PROJECT DESCRIPTION	EDA DOLLARS
******	SUBTOTALS FOR - EDA AREA NAME = SALT LAKE COUNTY					740000
UTAH COUNTY	83	052100004	PROVO, CITY OF	UT	IND. PARK IMPROVEMENTS	395000
******	SUBTOTALS FOR - EDA AREA NAME = UTAH COUNTY					395000
******	SUBTOTALS FOR - PRJ ST. AB. = UT					1135000
NEWPORT NEWS	83	010102497	NEWPORT NEWS, CITY OF	VA	IMPR IND PARK	1000000
******	SUBTOTALS FOR - EDA AREA NAME = NEWPORT NEWS					1000000
******	SUBTOTALS FOR - PRJ ST. AB. = VA					1000000
RUTLAND COUNTY	83	011102552	FAIR HAVEN, TOWN OF	VT	IMPR WTR SYS	198000
******	SUBTOTALS FOR - EDA AREA NAME = RUTLAND COUNTY					198000
SAINT JOHNSBURY AREA	83	012100005	ST. JOHNSBURY, TOWN OF	VT	SEWER SEPARATION PROJECT	527200
******	SUBTOTALS FOR - EDA AREA NAME = SAINT JOHNSBURY AREA					527200
******	SUBTOTALS FOR - PRJ ST. AB. = VT					725200
KING COUNTY	83	072100001	SEATTLE, PORT OF	WA	PORT TERM. ENTRNCE IMPR.	1000000
******	SUBTOTALS FOR - EDA AREA NAME = KING COUNTY					1000000
******	SUBTOTALS FOR - PRJ ST. AB. = WA					1000000
BROWN COUNTY	83	060101958	GREEN BAY CITY OF	WI	S/W.STORM SEWER,ST.	600000

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LISTING OF PROJECTS IN HOLDOVER AREAS FOR FY 82 THRU 84
FOR PUBLIC WORKS

EDA                          FY                                       PRJ
AREA                         CONS PROJECT    APPLICANT                ST. PROJECT                    EDA
NAME                         IDER NUMBER     NAME                     AB. DESCRIPTION                DOLLARS

******    SUBTOTALS FOR - EDA AREA NAME = BROWN COUNTY
                                                                                                      600000

******    SUBTOTALS FOR - PRJ ST. AB. = WI
                                                                                                      600000

******    SUBTOTALS FOR - FY CONS IDER = 83 (48 PROJECTS)
                                                                                                    33119766
MADISON COUNTY                 84 040103241   HUNTSVLE-MADSN ARPT AUTH AL  INTL INTLMODAL CTR        1526538
******    SUBTOTALS FOR - EDA AREA NAME = MADISON COUNTY
                                                                                                     1526538

******    SUBTOTALS FOR - PRJ ST. AB. = AL
                                                                                                     1526538
ALAMEDA COUNTY                 84 070102765   ALAMEDA, CITY OF          CA  HARBORBAY PARKWAY RD EXT  3000000
******    SUBTOTALS FOR - EDA AREA NAME = ALAMEDA COUNTY
                                                                                                     3000000
ORANGE COUNTY                  84 070102726   ANAHEIM, CITY OF          CA  LEMON STREET STORM DRAIN   220000
******    SUBTOTALS FOR - EDA AREA NAME = ORANGE COUNTY
                                                                                                      220000
SAN DIEGO COUNTY               84 070102752   OCEANSIDE, CITY OF        CA  SOUND ATTENUATION WALL     270000
******    SUBTOTALS FOR - EDA AREA NAME = SAN DIEGO COUNTY
                                                                                                      270000

******    SUBTOTALS FOR - PRJ ST. AB. = CA
                                                                                                     3490000
ANSONIA AREA                   84 010102578   CONNECTICUT STATE OF DED CT  INFRASTRUCTURE IMPR       402000
******    SUBTOTALS FOR - EDA AREA NAME = ANSONIA AREA
                                                                                                      402000

******    SUBTOTALS FOR - PRJ ST. AB. = CT
                                                                                                      402000
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LISTING OF PROJECTS IN HOLDOVER AREAS FOR FY 82 THRU 84
FOR PUBLIC WORKS

EDA                          FY                                     PRJ
AREA                       CONS PROJECT    APPLICANT                ST. PROJECT                      EDA
NAME                       IDER NUMBER     NAME                     AB. DESCRIPTION                  DOLLARS

SUSSEX COUNTY                84 011102583  SUSSEX COUNTY COUNCIL    DE  WATER SYSTEM IMPROVEMENT      197000

******    SUBTOTALS FOR - EDA AREA NAME = SUSSEX COUNTY
                                                                                                      197000


******    SUBTOTALS FOR - PRJ ST. AB. = DE
                                                                                                      197000

CHARLOTTE COUNTY             84 040103276  CHARLOTTE CO DEV AUTH    FL  WATER,SEWER EXPANSION         783703

******    SUBTOTALS FOR - EDA AREA NAME = CHARLOTTE COUNTY
                                                                                                      783703

MARION COUNTY                84 040103294  BELLEVIEW CITY OF        FL  WTR TANK& UTIL EXT            810000

******    SUBTOTALS FOR - EDA AREA NAME = MARION COUNTY
                                                                                                      810000

TAYLOR COUNTY                84 042103238  PERRY, CITY OF           FL  WATER/WASTEWATER IMPROVE      597120

******    SUBTOTALS FOR - EDA AREA NAME = TAYLOR COUNTY
                                                                                                      597120


******    SUBTOTALS FOR - PRJ ST. AB. = FL
                                                                                                     2190823

BEN HILL COUNTY              84 040103273  FITZGERALD-BEN HILL AUTH GA  FAC:INDUS SITES                70530

******    SUBTOTALS FOR - EDA AREA NAME = BEN HILL COUNTY
                                                                                                       70530

BIBB COUNTY                  84 040103239  MACON, CITY OF           GA  A/P S RAMP DEV               1001500

******    SUBTOTALS FOR - EDA AREA NAME = BIBB COUNTY
                                                                                                     1001500

FRANKLIN COUNTY              84 042103243  LAVONIA CITY OF          GA  SEWER SYSTEM EXTENSION        105105

******    SUBTOTALS FOR - EDA AREA NAME = FRANKLIN COUNTY
                                                                                                      105105

GRADY COUNTY                 84 040103281  CAIRO CITY OF            GA  IND DEV OUTFALL SWR           325200

******    SUBTOTALS FOR - EDA AREA NAME = GRADY COUNTY
                                                                                                      325200

PULASKI COUNTY               84 040103260  HAWKINSVILLE, CITY OF    GA  LIVESTOCK CENTER               60800
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LISTING OF PROJECTS IN HOLDOVER AREAS FOR FY 82 THRU 84
FOR PUBLIC WORKS

EDA                         FY                                        PRJ
AREA                       CONS PROJECT     APPLICANT                 ST. PROJECT                      EDA
NAME                       IDER NUMBER      NAME                      AB. DESCRIPTION                  DOLLARS

******    SUBTOTALS FOR - EDA AREA NAME = PULASKI COUNTY
                                                                                                         60800

RICHMOND COUNTY             84 040103266    RICHMOND CO BD COMM       GA  SWR SER:IND PK                570000

******    SUBTOTALS FOR - EDA AREA NAME = RICHMOND COUNTY
                                                                                                        570000

WILKES COUNTY               84 040103270    WASHINGTON CITY OF        GA  INDUS PK EXP;WTR              313500

******    SUBTOTALS FOR - EDA AREA NAME = WILKES COUNTY
                                                                                                        313500


******    SUBTOTALS FOR - PRJ ST. AB. = GA
                                                                                                       2446635

UNION COUNTY                84 050102145    CITY OF CRESTON           IA  CONST WATER PLANT & LINE      500000

******    SUBTOTALS FOR - EDA AREA NAME = UNION COUNTY
                                                                                                        500000


******    SUBTOTALS FOR - PRJ ST. AB. = IA
                                                                                                        500000

BLAINE COUNTY               84 070202736    CAREY WATER & SEWER DIST ID  SEWER COLLECTOR/TREATMNT       150000

******    SUBTOTALS FOR - EDA AREA NAME = BLAINE COUNTY
                                                                                                        150000

JEROME COUNTY               84 070102743    JEROME COUNTY             ID  SEWER & WATER EXTENSION       270000

******    SUBTOTALS FOR - EDA AREA NAME = JEROME COUNTY
                                                                                                        270000


******    SUBTOTALS FOR - PRJ ST. AB. = ID
                                                                                                        420000

DUBOIS COUNTY               84 060102045    HUNTINGBURG CITY OF       IN  CONST GASMAIN                 194600

******    SUBTOTALS FOR - EDA AREA NAME = DUBOIS COUNTY
                                                                                                        194600


******    SUBTOTALS FOR - PRJ ST. AB. = IN
                                                                                                        194600
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LISTING OF PROJECTS IN HOLDOVER AREAS FOR FY 82 THRU 84
FOR PUBLIC WORKS

EDA                        FY                                             PRJ
AREA                       CONS PROJECT     APPLICANT                     ST.  PROJECT                      EDA
NAME                       IDER NUMBER      NAME                          AB.  DESCRIPTION                  DOLLARS

SEDGWICK COUNTY              84 050102154   SEDGWICK COUNTY               KS   CONST STREET IMPROVEMENT     1000000

******    SUBTOTALS FOR - EDA AREA NAME = SEDGWICK COUNTY
                                                                                                            1000000


******    SUBTOTALS FOR - PRJ ST. AB. = KS
                                                                                                            1000000

MADISON COUNTY               84 040103193   RICHMOND, CITY OF             KY   WATER TRANSMISS MAIN         1000000

******    SUBTOTALS FOR - EDA AREA NAME = MADISON COUNTY
                                                                                                            1000000


******    SUBTOTALS FOR - PRJ ST. AB. = KY
                                                                                                            1000000

BATN ROUGE/E.BATN ROUGE      84 081102425   BATON ROUGE, CITY OF          LA   RIVER TOWN LANDING            500000

******    SUBTOTALS FOR - EDA AREA NAME = BATN ROUGE/E.BATN ROUGE
                                                                                                             500000


******    SUBTOTALS FOR - PRJ ST. AB. = LA
                                                                                                             500000

BOSTON CITY OF               84 012102631   NEIGHBORHOOD DEVEL CORP       MA   REHAB INDUSTRIAL COMPLEX      500000

******    SUBTOTALS FOR - EDA AREA NAME = BOSTON CITY OF
                                                                                                             500000

MILFORD AREA                 84 010102509   MILFORD, TOWN OF              MA   IMPR IND PARK                 450000

******    SUBTOTALS FOR - EDA AREA NAME = MILFORD AREA
                                                                                                             450000


******    SUBTOTALS FOR - PRJ ST. AB. = MA
                                                                                                             950000

BALTIMORE CITY               84 010102541   BALTIMORE, CITY OF            MD   DEVP IND PK                  1200000

******    SUBTOTALS FOR - EDA AREA NAME = BALTIMORE CITY
                                                                                                            1200000


******    SUBTOTALS FOR - PRJ ST. AB. = MD
                                                                                                            1200000
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LISTING OF PROJECTS IN HOLDOVER AREAS FOR FY 82 THRU 84
FOR PUBLIC WORKS

EDA                           FY                                          PRJ
AREA                          CONS PROJECT     APPLICANT                  ST.  PROJECT                      EDA
NAME                          IDER NUMBER      NAME                       AB.  DESCRIPTION                  DOLLARS

PORTLAND AREA                   84 010102568   PORTLAND, CITY OF          ME   COOLER/AUCTION BLDG          1300000

******     SUBTOTALS FOR - EDA AREA NAME = PORTLAND AREA
                                                                                                            1300000

******     SUBTOTALS FOR - PRJ ST. AB. = ME
                                                                                                            1300000
LYON COUNTY                     84 060102055   MARSHALL CITY OF           MN   IMP WASTE TRT FAC             538000

******     SUBTOTALS FOR - EDA AREA NAME = LYON COUNTY
                                                                                                             538000

******     SUBTOTALS FOR - PRJ ST. AB. = MN
                                                                                                             538000
JACKSON COUNTY                  84 052100008   CITY OF KANSAS CITY        MO   IMPROVE INDUSTRIAL AREA       184000

******     SUBTOTALS FOR - EDA AREA NAME = JACKSON COUNTY
                                                                                                             184000

******     SUBTOTALS FOR - PRJ ST. AB. = MO
                                                                                                             184000
CASCADE COUNTY                  84 050102152   CITY OF GREAT FALLS        MT   CONSTRUCT STORM DRAINAGE      600000

******     SUBTOTALS FOR - EDA AREA NAME = CASCADE COUNTY
                                                                                                             600000
ROOSEVELT COUNTY                84 050102151   ASSINIBOINE/SIOUX TRIBE    MT   CONSTRUCT MFG. FACILITY       500000
ROOSEVELT COUNTY                84 051102165   CITY OF POPLAR             MT   WATER SYSTEM IMPROVEMENT      250000

******     SUBTOTALS FOR - EDA AREA NAME = ROOSEVELT COUNTY
                                                                                                             750000

******     SUBTOTALS FOR - PRJ ST. AB. = MT
                                                                                                            1350000
CATAWBA COUNTY                  84 04010316901 CONOVER, CITY OF           NC   SEWERAGE PLANT EXPANSION       80550

******     SUBTOTALS FOR - EDA AREA NAME = CATAWBA COUNTY
                                                                                                              80550
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LISTING OF PROJECTS IN HOLDOVER AREAS FOR FY 82 THRU 84
FOR PUBLIC WORKS

EDA                       FY                                     PRJ
AREA                      CONS PROJECT    APPLICANT              ST.  PROJECT                        EDA
NAME                      IDER NUMBER     NAME                   AB.  DESCRIPTION                    DOLLARS

******    SUBTOTALS FOR - PRJ ST. AB. = NC
                                                                                                       80550

PLATTE COUNTY             84 050102155    CITY OF COLUMBUS       NE   WATER SYSTEM IMPROVEMENT        160000

******    SUBTOTALS FOR - EDA AREA NAME = PLATTE COUNTY
                                                                                                      160000


******    SUBTOTALS FOR - PRJ ST. AB. = NE
                                                                                                      160000

COOS COUNTY               84 010102598    BERLIN,CITY OF         NH   INCUBATOR BLDG/INDL PK          434000

******    SUBTOTALS FOR - EDA AREA NAME = COOS COUNTY
                                                                                                      434000

STRAFFORD COUNTY          84 010102571    SOMERSWORTH, CITY OF   NH   DEVP IND PK                     450000

******    SUBTOTALS FOR - EDA AREA NAME = STRAFFORD COUNTY
                                                                                                      450000


******    SUBTOTALS FOR - PRJ ST. AB. = NH
                                                                                                      884000

ATLANTIC COUNTY           84 010102610    ABSECON CITY OF        NJ   ABSECON INDUSTRIAL ZONE         306840

******    SUBTOTALS FOR - EDA AREA NAME = ATLANTIC COUNTY
                                                                                                      306840

UNION COUNTY              84 010102611    LINDEN, CITY OF        NJ   LINDEN INDUSTRIAL PARK         1000000

******    SUBTOTALS FOR - EDA AREA NAME = UNION COUNTY
                                                                                                     1000000


******    SUBTOTALS FOR - PRJ ST. AB. = NJ
                                                                                                     1306840

ONEIDA COUNTY             84 010102607    BOONVILLE, VILLAGE OF  NY   BOONVILLE WATER IMPRGV          770000
ONEIDA COUNTY             84 010102660    ROME, CITY OF          NY   WATER TREATMENT FACILITY       1000000

******    SUBTOTALS FOR - EDA AREA NAME = ONEIDA COUNTY
                                                                                                     1770000

ORANGE COUNTY             84 010102624    'GOSHEN, VILLAGE OF    NY   GOSHEN WATER FILTRATION         900000
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LISTING OF PROJECTS IN HOLDOVER AREAS FOR FY 82 THRU 84
FOR PUBLIC WORKS

EDA                       FY                                        PRJ
AREA                      CONS PROJECT   APPLICANT                  ST.  PROJECT                      EDA
NAME                      IDER NUMBER    NAME                       AB.  DESCRIPTION                  DOLLARS

******    SUBTOTALS FOR - EDA AREA NAME = ORANGE COUNTY
                                                                                                       900000

OSWEGO COUNTY             84 010102628   FULTON, CITY OF            NY   FULTON WATER LINE             644000

******    SUBTOTALS FOR - EDA AREA NAME = OSWEGO COUNTY
                                                                                                       644000


******    SUBTOTALS FOR - PRJ ST. AB. = NY
                                                                                                      3314000

PROVIDENCE-PAWTUCKET      84 010102600   R.I. PORT AUTH. & EDC      RI   PIER FENDER SYSTEM            800000

******    SUBTOTALS FOR - EDA AREA NAME = PROVIDENCE-PAWTUCKET
                                                                                                       800000


******    SUBTOTALS FOR - PRJ ST. AB. = RI
                                                                                                       800000

CHARLESTON COUNTY         84 040103282   N CHARLSTN/N CHRLSTN SWR SC   CROSS COUNTY RD SWR DEV       800000

******    SUBTOTALS FOR - EDA AREA NAME = CHARLESTON COUNTY
                                                                                                       800000

CHEROKEE COUNTY           84 04220001601 GAFFNEY, CITY OF           SC   MULTI PURPOSE CENTER           51500

******    SUBTOTALS FOR - EDA AREA NAME = CHEROKEE COUNTY
                                                                                                        51500

DORCHESTER COUNTY         84 040103215   DORCHESTER COUNTY          SC   CONST SAN SWR LN              255600
DORCHESTER COUNTY         84 041103285   RIDGEVILLE CITY OF         SC   COMM CTR - TOWN HALL          458350

******    SUBTOTALS FOR - EDA AREA NAME = DORCHESTER COUNTY
                                                                                                       713950

LEXINGTON COUNTY          84 040103236   CAYCE, CITY OF             SC   EXT WTR/SWR:IND               248450

******    SUBTOTALS FOR - EDA AREA NAME = LEXINGTON COUNTY
                                                                                                       248450

RICHLAND COUNTY           84 042203259   SC MUSEUM COMMISSION       SC   RENOVATE MUSEUM.              800000

******    SUBTOTALS FOR - EDA AREA NAME = RICHLAND COUNTY
                                                                                                       800000

SPARTANBURG COUNTY        84 042203255   SPARTANBURG AUD COMM       SC   RENOVATE AUDITORIUM           933408
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LISTING OF PROJECTS IN HOLDOVER AREAS FOR FY 82 THRU 84
FOR PUBLIC WORKS

EDA AREA NAME	FY CONS IDER	PROJECT NUMBER	APPLICANT NAME	PRJ ST. AB.	PROJECT DESCRIPTION	EDA DOLLARS
****** SUBTOTALS FOR - EDA AREA NAME = SPARTANBURG COUNTY						933408
****** SUBTOTALS FOR - PRJ ST. AB. = SC						3547308
LAKE COUNTY	84	050102149	CITY OF MADISON	SD	CONST WATER STORAGE TANK	510000
****** SUBTOTALS FOR - EDA AREA NAME = LAKE COUNTY						510000
****** SUBTOTALS FOR - PRJ ST. AB. = SD						510000
DELTA COUNTY	84	080102414	COOPER, CITY OF	TX	WATER TREATMENT PLANT	671500
****** SUBTOTALS FOR - EDA AREA NAME = DELTA COUNTY						671500
GRAYSON COUNTY	84	081102413	GRAYSON COUNTY	TX	JUVENILE DETENTION FAC.	310000
****** SUBTOTALS FOR - EDA AREA NAME = GRAYSON COUNTY						310000
****** SUBTOTALS FOR - PRJ ST. AB. = TX						981500
UTAH COUNTY	84	050102140	CITY OF OREM	UT	CONST INDUSTRIAL PARK	840000
****** SUBTOTALS FOR - EDA AREA NAME = UTAH COUNTY						840000
****** SUBTOTALS FOR - PRJ ST. AB. = UT						840000
PORTSMOUTH	84	010102582	PORTSMOUTH, CITY OF	VA	PINNERS PT. IND. PARK	500000
****** SUBTOTALS FOR - EDA AREA NAME = PORTSMOUTH						500000
SCOTT COUNTY	84	010102585	DUFFIELD DEVP AUTHORITY	VA	CONST WTR STORAGE TANK	168000

LISTING OF PROJECTS IN HOLDOVER AREAS FOR FY 82 THRU 84
FOR PUBLIC WORKS

EDA AREA NAME	FY CONS IDER	PROJECT NUMBER	APPLICANT NAME	PRJ ST. AB.	PROJECT DESCRIPTION	EDA DOLLARS
****** SUBTOTALS FOR - EDA AREA NAME = SCOTT COUNTY						168000
SUFFOLK	84	012200015	SUFFOLK, CITY OF	VA	EXTEND WTR TRANSMISSION	500000
****** SUBTOTALS FOR - EDA AREA NAME = SUFFOLK						500000
****** SUBTOTALS FOR - PRJ ST. AB. = VA						1168000
BENNINGTON COUNTY	84	010102577	BENNINGTON, TOWN OF	VT	WATER/SEWER EXT	219000
****** SUBTOTALS FOR - EDA AREA NAME = BENNINGTON COUNTY						219000
RUTLAND COUNTY	84	012102576	WEST RUTLAND TOWN OF	VT	H2O SYSTEM & ACCESS RD	500000
****** SUBTOTALS FOR - EDA AREA NAME = RUTLAND COUNTY						500000
****** SUBTOTALS FOR - PRJ ST. AB. = VT						719000
KING COUNTY	84	070102745	ISSAQUAH, CITY OF	WA	WATER RESERVOIR & LINE	612000
****** SUBTOTALS FOR - EDA AREA NAME = KING COUNTY						612000
KITSAP COUNTY	84	070102700	PORT ORCHARD, CITY OF	WA	STREET EXTENSION/BRIDGE	600000
****** SUBTOTALS FOR - EDA AREA NAME = KITSAP COUNTY						600000
****** SUBTOTALS FOR - PRJ ST. AB. = WA						1212000
BROWN COUNTY	84	060101973	DE PERE CITY OF	WI	PARKING LOT/ST REPAIR	900000
****** SUBTOTALS FOR - EDA AREA NAME = BROWN COUNTY						900000
WALWORTH COUNTY	84	062100028	EAST TROY, VILLAGE OF	WI	SHEET EXTENSION & IND PK	525500

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LISTING OF PROJECTS IN HOLDOVER AREAS FOR FY 82 THRU 84
FOR PUBLIC WORKS
                          FY                                    PRJ
EDA                       CONS PROJECT   APPLICANT              ST. PROJECT              EDA
AREA                      IDER NUMBER    NAME                   AB. DESCRIPTION          DOLLARS
NAME

******   SUBTOTALS FOR - EDA AREA NAME = WALWORTH COUNTY                                  525500

******   SUBTOTALS FOR - PRJ ST. AB. = WI                                                1425500

******   SUBTOTALS FOR - FY CONS IDER = 84  (63 PROJECTS)                               36338294

******   SUBTOTALS FOR - TOTAL = TOTAL == '82, '83, and 84 (139 PROJECTS)               92824340
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FY'82 APPROPRIATION FOR PUBLIC WORKS	$130,000,000
FY 83 APPROPRIATION FOR PUBLIC WORKS	230,000,000
FY 94 APPROPRIATION FOR PUBLIC WORKS	170,000,000
TOTAL	$530,000,000
Projects Approved in Holdover Areas	92,824,340

Public Telecommunications Facilities Program

QUESTION:

Please submit a list of all PTFP grants for FY 1984.

ANSWER:

Public Telecommunications Facilities Program Applications Granted for Fiscal Year 1984:

Alaska

Pribilof School District	St. Paul
Alaska Public Television, Inc.	Anchorage
Rainbird Cmty. Brdcstg. Corp.	Ketchikan
Alaska Public Radio Network	Anchorage
University of Alaska	Fairbanks

Alabama

Troy State University	Troy
Univ. of Alabama, Birmingham	Birmingham

Arkansas

Little Rock Public School Dist.	Little Rock

Arizona

Arizona State University	Tempe
Navajo Community College	Tsaile

California

Broadcast Services for the Blind	San Francisco
Santa Clara Co. Bd. of Education	San Jose
Cmty. TV of Southern California	Los Angeles
CA State College Bakersfield Fdn	Bakersfield
Redwood Empire Public TV, Inc.	Eureka
Pataphysical Broadcasting Fdn.	Santa Cruz

Colorado

Colorado State Bd of Agriculture	Fort Collins
Crested Butte Mtn. Educ. Radio	Crested Butte
Front Range Educ Media Corp.	Broomfield
University of Southern Colorado	Pueblo

Connecticut

Connecticut Educ. Telecom. Corp.	Hartford

Florida

WJCT, Inc.	Jacksonville
South Florida Public Telecom.	Boynton Beach
Community Communications, Inc.	Orlando

Georgia

Georgia Public T/C Commission	Atlanta

Guam

Guam Educ. Telecom. Corp.	G.M.F.

Hawaii

Hawaii Public Radio, Inc.	Honolulu

Iowa

Urban Community Broadcasting	Des Moines
Eastern Iowa Cmty College Dist.	Davenport

Illinois

Springfield & Sangamon County	Springfield
University of Illinois	Urbana

Indiana

S.W. Indiana Public Broadcasting	Evansville

Kansas

University of Kansas	Lawrence
Kansas Public Telecom. Service	Wichita
Kanza Society, Inc.	Pierceville

Kentucky

Fifteen Telecommunications, Inc.	Louisville

Massachusetts

Talking Information Center	Marshfield

Michigan

Northern Michigan University	Marquette

Minnesota

Minnesota Tele-Media	Marshall
Northern Minnesota Public TV Inc	Bemidji

Minnesota (cont'd)

Independent School District #790	Eagle Bend
Mankato State University	Mankato
Mankato State University	Mankato

Missouri

St. Louis Reg Educ Public TV Com	St. Louis
Ozark Public Telecommunications	Springfield

Montana

Meagher County Public TV, Inc.	White Sulphur Sp
Roundup TV Tax District	Roundup
Blackfeet Media, Inc.	Browning
Phillips County TV Tax District	Malta
Blaine County Public TV, Inc.	Chinook

North Carolina

Charlotte-Macklenberg Bdcastg.	Charlotte

North Dakota

North Dakota State University	Fargo

Nebraska

Nebraska Educ. TV Commission	Lincoln
Radio Talking Book Service, Inc.	Omaha

New Hampshire

University of New Hampshire	Durham

New Jersey

Newark Public Radio, Inc.	Newark

New Mexico

Ramah Navajo School Board, Inc.	Ramah
Northern New Mexico Cmty College	Espanola
University of New Mexico	Albuquerque
New Mexico State University	Las Cruces

Nevada

Channel 5 Public Brdcstg., Inc.	Reno
Rural Television System, Inc.	Incline Village
Nevada Public Radio Corporation	Las Vegas

New York

St. Lawrence University	Canton
N.E. NY Public Telecom. Council	Plattsburgh
N.E. NY Public Telecom. Council	Plattsburgh

Ohio

Public Brdcstg Fdn of N.W. Ohio	Toledo
The Ohio State University	Columbus
Ohio Univ Telecom. Center/WOUB	Athens

Oregon

Tillicum Foundation, KMUN-FM	Astoria
Confed. Tribes of Warm Springs	Warm Springs

Pennsylvania

N.E. Pennsylvania Educ TV Assoc	Pittston
Solebury School	New Hope

Puerto Rico

Fundacion Educativa Ana G Mendez	Rio Piedras

Rhode Island

R.I. Public Telecom. Authority	Providence

South Carolina

S.C. Educ. Television Commission	Columbia

South Dakota

Sioux Falls College	Sioux Falls

Tennessee

Tennessee State Board of Educ.	Cookeville

Texas

South TX Public Brdcstg. System	Corpus Christi
Odessa Junior College District	Odessa

Utah

University of Utah	Salt Lake City

Virginia

James Madison University	Harrisonburg
Virginia State University	Petersburg
Network for Instructional TV	Williamsburg
Hampton Roads Educ T/C Assoc.	Norfolk
Hampton Roads Educ T/C Assoc.	Norfolk

Virgin Islands

College of the Virgin Islands	St. Thomas

Washington

Yakima School District #7	Yakima

Wisconsin

Univ. of Wisconsin at Green Bay	Green Bay
Bad River Tribal Council	Odanah
Red Cliff Tribal Council	Bayfield

West Virginia

W.V. Educ Broadcasting Authority	Charleston

Wyoming

Western Wyoming Cmty. College	Rock Springs
Sheridan College	Sheridan

QUESTION:

Please submit a list of all applications for PTFP grants for FY 1985, including the applicant's name and location, and the amount requested.

ANSWER:

Public Telecommunications Facilities Program applications for FY 1985:

Organization	City	State	Requested Funds
Bethel Broadcasting Incorporated	Bethel	AK	213971
Wrangell Radio Group, Inc.	Wrangell	AK	33359
Kodiak Public Brdcstg. Corp.	Kodiak	AK	64256
Raven Radio Foundation	Sitka	AK	25000
Terminal Radio, Inc.	Valdez	AK	188670
Capital Community Brdcstg., Inc.	Juneau	AK	89051
Rainbird Community Brdcstg. Corp	Ketchikan	AK	73627
Chevak Traditional Council	Chevak	AK	28000
Kachemak Bay Broadcasting, Inc.	Homer	AK	103687
Kotzebue Broadcasting, Inc.	Kotzebue	AK	152279
Jefferson Davis St. Jr. College	Brewton	AL	79597
Jefferson State Junior College	Birmingham	AL	27300
Alabama Ed. TV Commission	Birmingham	AL	1500723
Board of Trustees, Univ. of AL	Tuscaloosa	AL	53475
*Gadsden State Jr. College	Gadsden	AL	145861
Americus Rural Education Found.	Hamilton	AL	75000
Lawson State Community College	Birmingham	AL	653811
Alabama Center for Higher Educ.	Birmingham	AL	50000
*City of Lincoln	Lincoln	AL	32842
Jefferson State Junior College	Birmingham	AL	34290
*Sable Community Brdcstg. Corp.	Oxford	AL	107646
Alabama Educational TV Comm.	Birmingham	AL	466875
Alabama Educ. TV Commission	Birmingham	AL	1721535
American Samoa Government	Pago Pago	AQ	949314
Arkansas Brdcstg. Found., Inc.	Little Rock	AR	129146
University of Central Arkansas	Conway	AR	16989
University of Arkansas	Fayetteville	AR	101557
Arkansas Ed. TV Network Comm.	Conway	AR	744600
Arizona Board of Regents	Flagstaff	AZ	8431
University of Arizona	Tucson	AZ	495666
University of Arizona	Tucson	AZ	51246
Navajo Community College	Tsaile	AZ	324482
Phoenix Union High Sch. Dist.210	Phoenix	AZ	148681
Rock Point School, Inc.	Chinle	AZ	53746
Maricopa County Cmty Coll. Dist.	Phoenix	AZ	17325
Arizona State University	Tempe	AZ	499275
*Found. for Creative Broadcasting	Tucson	AZ	50000
San Diego St. University Found.	San Diego	CA	553500
San Diego St. University Found.	San Diego	CA	33345
Mendocino County Public Brdcstg.	Boonville	CA	46774

* Have not been accepted for filing as of April 2, 1985

Broadcast Services for the Blind	San Francisco	CA	16616
Pataphysical Brdcstg. Fnd., Inc.	Santa Cruz	CA	80339
KQED, Inc.	San Francisco	CA	280000
California Cmty. TV Network	Berkeley	CA	1363749
Central California Ed. TV, Inc.	Sacramento	CA	853869
White Ash Broadcasting, Inc.	Fresno	CA	116987
KXQL, c/o Marcus A. Smith	Chico	CA	78890
*Pacific Directions	Los Angeles	CA	68100
Pacifica Foundation	Los Angeles	CA	14585
Community Service Media, Inc.	Compton	CA	36040
Redwood Empire Public TV, Inc.	Eureka	CA	353823
Sonrise Sr. Citizen Village, Inc	Fontana	CA	38000
*Bay Area Video Coalition	San Francisco	CA	78375
Fresno County Board of Educ.	Fresno	CA	300000
*Nat'l Asian American T/C Assoc.	San Francisco	CA	158820
Radio Bilingue, Inc.	Fresno	CA	418278
KCBX, Inc.	San Luis Obispo	CA	75183
*Black TV Workshop of Los Angeles	Pacoima	CA	499740
*Coastline Community College	Costa Mesa	CA	40995
Los Angeles Unified School Dist.	Los Angeles	CA	406710
*San Diego County Office of Educ.	San Diego	CA	142500
*City of Compton Local Government	Compton	CA	154900
Cmty Resource & Training Center	San Diego	CA	853086
Public Brdcstg. of Colorado, Inc	Denver	CO	62115
Gunnison Metro. Rec. District	Gunnison	CO	5970
University of Southern Colorado	Pueblo	CO	614667
Equal Rep. of Media Advocacy	Alamosa	CO	47211
Producciones Estrella Roja, Inc.	Pueblo	CO	23590
Colorado Radio Info. Ser., Inc.	Greeley	CO	26602
Roaring Fork Pub. Radio Transl.	Aspen	CO	51371
National Technological Univ.	Fort Collins	CO	1200000
Crested Butte Mountain Ed Radio	Crested Butte	CO	67957
Front Range Educ. Media Corp.	Broomfield	CO	294636
North Fork Valley Pub. Radio, Inc	Paonia	CO	25462
Connecticut Educ. Telecomm. Corp	Hartford	CT	143510
Connecticut Ed. Telecomm. Corp	Hartford	CT	336206
Sacred Heart University	Fairfield	CT	266290
The American University	Washington	DC	53055
Howard University	Washington	DC	867180
District of Columbia	Washington	DC	116850
Greater Wash. Telecom. Asso. Inc	Washington	DC	163350
Pacifica Foundation, Inc.	Washington	DC	46284
Delaware Citizens Committee, Inc	Seaford	DE	254565
University of Flordia	Gainesville	FL	220214
WJCT, Inc.	Jacksonville	FL	270731
State of Florida	Tallahassee	FL	1328500

WJCT, Inc.	Jacksonville	FL	113703
Sch. Board of Broward County	Ft. Lauderdale	FL	21000
Community Communications, Inc.	Orlando	FL	215850
University of South Florida	Tampa	FL	452115
University of South Florida	Tampa	FL	149955
University of South Florida	Tampa	FL	269288
University of South Florida	Tampa	FL	149002
Indian River Community College	Fort Pierce	FL	140625
The School Bd. of Dade Cty. FL	Miami	FL	30000
Florida Educational TV, Inc.	Boca Raton	FL	1800456
Community TV Found. of So. FL	Miami	FL	492090
Florida Educational Television	Boca Raton	FL	125000
School Board of Dade County	Miami	FL	324999
The University of Florida	Gainesville	FL	25605
Florida State University	Tallahassee	FL	630487
Gulf Coast Community College	Panama City	FL	63525
Georgia Public Radio, Inc.	Savannah	GA	29379
Georgia Public Telecomm. Comm.	Atlanta	GA	252840
*Georgia Radio Reading Ser., Inc.	Atlanta	GA	168750
Atlanta Board of Education	Atlanta	GA	555830
Sky Channel of the Pacific, Inc.	Agana	GQ	257200
Guam Ed. Telecomm. Corp.	G.M.F.	GQ	180105
Hawaii Public Radio	Honolulu	HI	247837
University of Hawaii	Kahului	HI	429250
Hawaii Pub. Broadcasting Auth.	Honolulu	HI	2959294
Iowa Lakes Community College	Estherville	IA	154677
Iowa Central Community College	Fort Dodge	IA	2789270
Eastern Iowa Cmty. College Dist.	Davenport	IA	403481
University of Northern Iowa	Cedar Falls	IA	193127
Iowa Public Broadcasting Board	Des Moines	IA	273750
Oakhill-Jackson Econ. Devel.Corp	Cedar Rapids	IA	80799
Board of Regents Univ. of ID	Boise	ID	170790
Idaho Migrant Council, Inc.	Boise	ID	122622
Central Educational Network	Chicago	IL	792000
*Triton College	River Grove	IL	36477
Bradley University	Peoria	IL	128797
Bradley University	Peoria	IL	44087
Western Illinois University	Macomb	IL	218163
Illinois Valley Pub. T/C Corp	Peoria	IL	253668
Chicago Educational TV Assoc.	Chicago	IL	399256
Prairie Air, Inc.	Champaign	IL	51114
College of Dupage	Glen Ellyn	IL	39927
University of Illinois	Urbana	IL	12262
Chicagoland Radio Info. Ser.	Chicago	IL	55319
Lakeside Communications, Inc.	Chicago	IL	75000
Southern Illinois Media Service	Carbondale	IL	2925

*Argo Community High School	Summit	IL	29543
Bd of Trustees, South. IL Univ.	Carbondale	IL	108977
*Charles E. Miller & Associates	Chicago	IL	794097
Brd. of Trustees, Univ. of IL	Urbana	IL	68475
Trustees of Indiana University	Bloomington	IN	36214
MI Public Brdcstg. Corp.	Mishawaka	IN	160176
Fort Wayne Public Television	Fort Wayne	IN	236745
Metro. Indianapolis TV Asso, Inc.	Indianapolis	IN	540859
WIPB-TV Ball State University	Muncie	IN	189000
Trustees of Indiana University	Bloomington	IN	244606
Board of Trustees Vincennes U.	Vincennes	IN	51409
SW Indiana Pub. Brdcstg., Inc.	Evansville	IN	420075
Northwest IN Pub. Brdcstg., Inc.	Highland	IN	1351680
Bd of Trustees, Vincennes Univ.	Vincennes	IN	337500
Ball State University	Muncie	IN	52121
Kansas Public T/C Service, Inc.	Wichita	KS	268415
*Kansas Public T/C Service, Inc.	Wichita	KS	242231
Kanza Society, Inc.	Pierceville	KS	21579
Smoky Hills Public TV	Bunker Hill	KS	504800
Smoky Hills Public TV	Bunker Hill	KS	198173
Colby Community College	Colby	KS	52000
Washburn University of Topeka	Topeka	KS	830753
Black American Comm., Inc.	Frankfort	KY	88530
Fifteen Telecommunications, Inc.	Louisville	KY	499374
Kentucky Authority for Educ. TV	Lexington	KY	54102
Kentucky Authority for Ed. TV	Lexington	KY	291070
Western Kentucky University	Bowling Green	KY	722353
LSU at Shreveport	Shreveport	LA	293659
Southeastern Louisiana Univ.	Hammond	LA	40500
Northeast Louisana University	Monroe	LA	102199
Greater New Orleans Ed. TV Found	New Orleans	LA	445275
*Natl. Fire Protection Asso.	Quincy	MA	35911
Trustees of Boston University	Boston	MA	306143
*WCUW, Inc.	Worcester	MA	23340
WGBH Educational Foundation	Springfield	MA	213864
University of Massachusetts	Boston	MA	77127
University of Maryland, E Shore	Princess Ann	MD	130305
Maryland Public Television	Owings Mills	MD	182518
Maryland Public Television	Owings Mills	MD	61287
Chesapeake College	Wye Mills	MD	229485
Salisbury State College Found.	Salisbury	MD	237606
University of Maine	Orono	ME	867699
University of Maine	Orono	ME	461000
University of Maine	Orono	ME	446000
Colby-Bates-Bowdoin Ed. Corp.	Lewiston	ME	233913
University of Southern Maine	Portland	ME	130587

Grand Valley State College	Allendale	MI	328551
Board of Trustees MI St. Univ.	East Lansing	MI	326250
City of Saline	Saline	MI	325350
Brd. of Control, N. MI Univ.	Marquette	MI	68399
*Detroit Public Schools	Detroit	MI	2006490
Detroit Educational TV Found.	Detroit	MI	320475
Detroit Educucational TV Found.	Detroit	MI	640425
*Focus: Hope	Detroit	MI	425484
Central MI Univ. Pub Brdcstg	Mt. Pleasant	MI	129657
Board of Trustees, MSU	East Lansing	MI	121617
University of Michigan at Flint	Flint	MI	345675
*Kalamazoo Comm. Counseling, Inc.	Kalamazoo	MI	43947
Delta College	UniversityCenter	MI	671510
Delta College	UniversityCenter	MI	142800
Delta College	UniversityCenter	MI	356250
*Rochester Community College	Rochester	MN	76080
Duluth-Superior Area Ed. TV Corp	Duluth	MN	50000
Northern MN Public TV, Inc.	Bemidji	MN	20000
New Horizon Tele-Network	Morris	MN	540000
Mankato State University	Mankato	MN	12110
State Brd. of Voc-Tech Education	St. Paul	MN	95375
No. Cen. Minnesota Telenetwork	Northome	MN	6612140
Minnesota Public Radio, Inc.	St. Paul	MN	283185
Minnesota Public Radio, Inc.	St. Paul	MN	176135
Twin Cities Public TV, Inc.	St. Paul	MN	811088
MN Tele-Media Southwest St. Univ	Marshall	MN	317275
City of Minneapolis	Minneapolis	MN	10000
*Tri-County Telecommun. Project	Grand Rapids	MN	615381
Ozark Pub. Telecomm., Inc.	Springfield	MO	98640
Public Television 19, Inc.	Kansas City	MO	769104
Public Television 19, Inc.	Kansas City	MO	687902
St. Louis Board of Education	St. Louis	MO	213750
Southern Missouri State Univ.	Springfield	MO	107137
Pub. Tele. Interconnection Auth.	Jefferson City	MO	50000
Ozark Public Telecomm., Inc.	Springfield	MO	351663
New Wave Corporation	Columbia	MO	47312
St. Louis Reg. Educ. Pub. TV	St. Louis	MO	198006
*Montgomery Hyde Park NAC	St. Louis	MO	8400
*The FAB Foundation, Inc. T/A	Jefferson City	MO	884722
Mid-Coast Radio Project, Inc.	Kansas City	MO	216520
KCMW-FM	Warrensburg	MO	72900
Miss. Valley State University	Itta Bena	MS	27219
Alcorn State University	Lorman	MS	137790
KBLT-FM	Bozeman	MT	10717
East Butte TV Club, Inc.	Chester	MT	21300
*Native Amer. Satellite Network	Lame Dear	MT	100000

Whitehall Low Power TV, Inc.	Whitehall	MT	42375
Salish Kootenai College, Inc.	Pablo	MT	199062
Fort Peck Community College	Poplar	MT	31770
Townsend TV District	Townsend	MT	106155
Laurel Public Television, Inc.	Laurel	MT	48300
*Forsyth Comm. Public TV, Inc.	Forsyth	MT	72030
Stillwater Public TV, Inc.	Columbus	MT	48300
Montana State University	Bozeman	MT	172000
Miles Community College	Miles City	MT	93962
University of Montana	Missoula	MT	65250
Eastern Montana College	Billings	MT	98591
Terry Television District	Terry	MT	54675
Bitterroot Valley Public TV	Hamilton	MT	124489
Browning Public Schools	Browning	MT	175035
*Crow Tribe of Indians	Crow Agency	MT	28400
Dull Knife Memorial College	Lame Deer	MT	184219
Charlotte-Mecklenburg Brdcst.Ath	Charlotte	NC	541558
Isothermal Community College	Spindale	NC	204002
University of North Carolina	Chapel Hill	NC	1358222
Western NC Public Radio, Inc.	Asheville	NC	252000
*N.C. Carolina Agency for Pub T/C	Raleigh	NC	558330
Dakota Radio Information Service	Bismarck	ND	9375
Prairie Public Broadcasting, Inc.	Fargo	ND	704552
University of North Dakota	Grand Forks	ND	14315
Prairie Public Broadcasting, Inc	Fargo	ND	78219
*Capital City Comm. Brdcstg., Inc	Lincoln	NE	141642
University of Nebraska	Lincoln	NE	163912
University of Nebraska	Lincoln	NE	297312
NE Educational Telecomm. Comm.	Lincoln	NE	749152
Sunrise Communications, Inc.	Lincoln	NE	30135
University of Nebraska at Omaha	Omaha	NE	83823
Union College	Lincoln	NE	37237
University of New Hampshire	Durham	NH	371250
*Township of Piscataway Mun. Gov.	Piscataway	NJ	12500
Mercer County Community College	Trenton	NJ	70050
State of New Jersey	Trenton	NJ	64378
Brookdale Community College	Lincroft	NJ	153866
Upsala College	East Orange	NJ	26943
Newark Public Radio, Inc.	Newark	NJ	165439
Performing Arts Network of NJ	Holmdell	NJ	196824
NJ Public Broadcasting Auth.	Trenton	NJ	1953410
New Mexico State University	Las Cruces	NM	18590
Regents of the Univ. of NM	Albuquerque	NM	87159
Regents of the Univ. of NM	Albuquerque	NM	621459
Regents of the Univ. of NM	Albuquerque	NM	26250
Br. of Ed., City of Albuquerque	Albuquerque	NM	44115

Mescalero Apache Tribe	Mescalero	NM	100050
Jicarilla Apache Tribe	Dulce	NM	65165
Santa Fe Community College	Santa Fe	NM	120512
Pueblo de Acoma	Acomita	NM	28310
Eastern New Mexico University	Portales	NM	542569
Regents of N. Mexico State Univ.	Las Cruces	NM	317100
YAP Public Radio Station	Colonia	NQ	45570
YAP State Public Television	Colonia	NQ	155850
Lyon County Board of Comms.	Yerington	NV	20000
North Lake Tahoe Cmty. Found.	Incline Village	NV	51450
Gerlach/Empire Schools	Empire	NV	48300
Rural Television System, Inc.	Carson City	NV	100000
Clark County School District	Las Vegas	NV	347014
Nevada Public Radio Corp.	Las Vegas	NV	17568
Channel 5 Public Brdcstg., Inc.	Reno	NV	259097
University of Nevada Reno	Reno	NV	35660
University of Nevada	Reno	NV	485769
*Mobile Video	Newburgh	NY	70000
STETA, Inc.	Conklin	NY	242025
Rochester Area Ed. TV, Inc.	Rochester	NY	252750
Long Island Ed. TV Council, Inc.	Plainview	NY	499706
Rochester Radio Reading Service	Rochester	NY	41762
Research Fnd. of State Uni. NY	Albany	NY	46479
Sun Ship Communications, Inc.	Buffalo	NY	200000
Dutchess Community College	Poughkeepsie	NY	199235
*Ramapo Catskill Library System	Middletown	NY	9200
Research Found./Medgar Evers Col	Brooklyn	NY	54793
*Hankook Comm. Found., Inc.	College Point	NY	20000
*Edu-Cable Corp	Rochester	NY	25000
Public Brdcstg. Coun. of Cen. NY	Liverpool	NY	372133
Educational Broadcasting Corp.	New York	NY	548180
NY State Education Department	Albany	NY	72000
Friends World College	Huntington	NY	182000
NE NY Public Telecom. Council	Plattsburgh	NY	130500
UHURU Communications, Inc.	Binghamton	NY	59488
New Int'l Telecomm. Info. Cen.	Brooklyn	NY	29799
Mohawk-Hudson Council on Ed. TV	Schenectady	NY	492432
State University of New York	Oswego	NY	141700
Hispanic Info. and Telecom. Net.	New York	NY	677061
*Chinese Community TV Network	New York	NY	60000
Bowling Green State University	Bowling Green	OH	589041
Grt. Cincinnati TV Educ. Found.	Cincinnati	OH	407486
Ohio University	Athens	OH	1272633
The Ohio State University	Columbus	OH	1128605
Ohio State University	Columbus	OH	417900
Cleveland Public Radio	Cleveland	OH	96885

Pub. Brdcstg. Found. of NW Ohio	Toledo	OH	136160
University of Cincinnati	Cincinnati	OH	86625
Pub. Brdcstg. Found. of NW Ohio	Toledo	OH	27145
*University of Akron	Akron	OH	227498
Toledo Board of Education	Toledo	OH	142582
Greater Dayton Public TV, Inc.	Dayton	OH	913832
Ed TV Assoc of Metro. Cleveland	Cleveland	OH	251351
Xavier University	Cincinnati	OH	114417
Rogers State College	Claremore	OK	485087
KBOO Foundation	Portland	OR	60696
Tillicum Foundation	Astoria	OR	15030
Oregon Public Broadcasting	Portland	OR	123094
Lane Community College	Eugene	OR	43890
Oregon Public Broadcasting	Portland	OR	186112
Oregon Public Broadcasting	Portland	OR	337242
*Golden Hours, Inc.	Portland	OR	16998
*Portland Cable Access Television	Portland	OR	162000
School District 24J	Salem	OR	27000
NE Pennsylvania Ed. TV Assoc.	Pittson	PA	255525
Metro. Pittsburg Public Brdcstg.	Pittsburg	PA	33333
NE Pennsylvania Ed. TV Assoc.	Pittston	PA	6540
Cen. Susquehanna Intermed. Unit	Lewisburg	PA	21893
Metropolitan Pitts. Pub. Brdcstg	Pittsburgh	PA	371885
Metropolitan Pitts. Pub. Brdcstg	Pittsburgh	PA	466926
Pittsburgh Comm. Brdcstg. Corp.	Pittsburgh	PA	166263
*Upper Moreland School District	Willow Grove	PA	85494
The Penn. State University	University Park	PA	725136
WHYY, Inc.	Philadelphia	PA	520875
*Borough of Pottstown	Pottstown	PA	39825
Spanish Am. Civic Asso., Inc.	Lancaster	PA	59640
Rhode Island Public T/C Auth.	Providence	RI	25000
RI Public T/C Authority	Providence	RI	663787
Fundacion Educ. Ana G. Mendez	Rio Piedras	RQ	71628
Arecido Tech. Univ. College	Arecido	RQ	64715
*Centro Colegial Cristiano, Inc.	Mayaquez	RQ	10594
S. Carolina Ed. TV Commission	Columbia	SC	360000
S. Carolina Ed. TV Commission	Columbia	SC	45000
*University of South Carolina	Columbia	SC	867922
Rocky Mnt. Progressive Radio, Inc	Rapid City	SD	22587
Lakota Communications, Inc.	Porcupine	SD	99078
East TN Public Comm. Corp.	Knoxville	TN	974992
Memphis/Shelby County Pub. Lbry	Memphis	TN	36000
University of Tennessee	Knoxville	TN	294779
Memphis Community TV Foundation	Memphis	TN	398733
University of Tennessee	Chattanooga	TN	53063
Chattanooga Sta. Tech Cmty Coll.	Chattanooga	TN	772989

Metro. Board of Public Educ.	Nashville	TN	215997
North Texas State University	Denton	TX	139630
So. TX Public Broadcasting Sys.	Corpus Christi	TX	13200
Denton Ch. Two Foundation Inc.	Denton	TX	1191833
So. TX Public Broadcasting Sys.	Corpus Christi	TX	796375
Texas Tech University	Lubbock	TX	437786
Pub. Comm. Found. for North TX	Dallas	TX	2706646
Pub. Comm. Found. for North TX	Dallas	TX	525000
Pub. Comm. Found. for North TX	Dallas	TX	110972
Educ. Service Center Region 10	Richardson	TX	434581
Central Texas College	Killeen	TX	189615
*Raquel G. Martinez, CIGI Prod.	Harlingen	TX	383448
Abilene Christian University	Abilene	TX	254406
Taping for the Blind, Inc.	Houston	TX	21000
South Texas Public Brdcstg. Sys.	Corpus Christi	TX	190170
Amarillo Junior College Dist.	Amarillo	TX	1289146
Navarro College	Corsicana	TX	190490
*Region IV Educ. Service Center	Houston	TX	326274
Region IV Educ. Service Center	Houston	TX	701781
University of Houston	Houston	TX	278955
Texas Tech University	Lubbock	TX	45619
Texas Southern University	Houston	TX	434085
Houston Independent School Dist.	Houston	TX	52500
San Antonio Cmty. Radio Corp.	San Antonio	TX	102390
*3 Gun Productions	Harligen	TX	310000
Henderson County Junior College	Athens	TX	18865
Austin Community Radio, Inc.	Austin	TX	65693
Weber State College	Ogden	UT	686598
Richmond Public Schools	Richmond	VA	90277
Blue Ridge ETV Association	Roanoke	VA	241275
*T-TAC TV, Inc.	Norfolk	VA	77500
Virginia State University	Petersburg	VA	83137
Northern Virginia Comm. College	Annandale	VA	62120
Central VA Educational TV Corp.	Falls Church	VA	991054
Central Virginia Ed. TV Corp.	Falls Church	VA	821346
Vietnam Refugee Fund, Inc.	Mclean	VA	35600
Saint Paul's College	Lawrenceville	VA	49213
Central Television Corp	Richmond	VA	24525
Central Virginia Ed. TV Corp	Richmond	VA	98137
College of the Virgin Islands	St. Thomas	VI	465471
Burlington School Department	Burlington	VT	120338
U. of Vermont, Agricultural Coll	Winooski	VT	405000
The University of Washington	Seattle	WA	29905
The University of Washington	Seattle	WA	499981
*Washington State School for Deaf	Vancouver	WA	111880
Northern Sound Public Radio	Bellingham	WA	18412

Northwest Chicano Radio Network	Granger	WA	112935
Washington State University	Pullman	WA	375900
Pacific Lutheran University, Inc	Tacoma	WA	24550
Clover Park School Dist. No. 400	Tacoma	WA	57840
Milwaukee Area Dist. Bd. of VTAE	Milwaukee	WI	212324
State of Wisc. Ed. Communic. Bd.	Madison	WI	197943
WI Indianhead VTAE District	Shell Lake	WI	73978
Alma Center-Humbird Sch. Dist.	Alma Center	WI	81000
State of Wisconsin	Madison	WI	199210
*State of Wisconsin Ed. Comm. Bd.	Madison	WI	175500
University of Wisconsin-Stout	Menomie	WI	216000
White Plain Cmty. Brdcstg. Inc.	Rhinelander	WI	6300
White Pine Community Brdcstg. Inc	Rhinelander	WI	11175
WV Educational Brdcstg. Auth.	Charleston	WV	50000
WV Educational Brdcstg. Auth.	Charleston	WV	37133
WV Educational Brdcstg. Auth.	Huntington	WV	975000
West Virginia Ed. Bdcstg. Auth.	Morgantown	WV	294342

QUESTION:

The President's FY 1986 request for the PTFP eliminates all funding with the explanation that over 95% of the country receives public broadcasting services. The PTFP, however, is not solely intended for the extension of public telecommunications services. Furthermore, the last Congress signaled its intention that a greater percentage of this program should go to the repair and replacement of existing facilities by twice passing legislation permitting this. How much is required to assist public broadcasters with the repair and replacement of facilities?

ANSWER:

We believe that PTFP should not become the source for funding of public broadcasting equipment modernization and replacement. The original intent of the legislation was to provide seed money for establishment of public broadcasting stations in unserved areas. That goal has been virtually accomplished, with public telecommunications service now available in 97% of the country.

PTFP's Priority II category addresses projects which request "Replacement of Basic Equipment of Existing Essential Broadcast Facilities." The level of grant awards in this category, we believe, are a fair reflection of the current need for replacement equipment for public broadcasting stations. Applicants which are placed under Priority II are those requesting the replacement of obsolete or worn out equipment for an existing facility which provides either the only public telecommunications signal or the only locally originated public telecommunications signal to a geographical area. In order to show that the replacement of equipment is necessary, applicants must provide documentation of unreliability, by proving excessive downtime, or high incidence of repair.

In 1984, PTFP funded 33 requests for replacement of equipment for a total of approximately $5 million in grant awards. None of these projects would have gone off the air without PTFP funding. A very small percentage of total capital investment by public broadcasting is provided from Federal funds. Therefore, we believe that the elimination of the PTFP program would have minimal effect.

Telecommunications Trade

QUESTION:

The dispute between the United States and Japan over telecommunications equipment and services trade has been prominent for the past several months. Where does this matter now stand, and what do you foresee happening during the rest of the year?

ANSWER:

We have given telecommunications the highest priority among the four sectors selected for market-oriented sector-specific discussions during the Reagan-Nakasone Summit of January 2, 1985. Our telecommunications negotiations were divided into two stages;

the first stage was to be completed by April 1 when the implementing ordinances and regulations become effective. This stage of our negotiations is nearing completion and we have made significant progress to insure that the new rules and procedures are open, transparent and non-discriminatory.

For the second stage, which will begin after April, we intend to hold discussions on a broad range of barriers to telecommunications trade such as government subsidies, cartels, R&D, use of regulations to favor Japanese satellite manufacturers, bias against purchase of foreign equipment, infant industry protection, etc.

QUESTION:

If the Japanese are not responsive to our concerns, how should we react?

ANSWER:

The Administration is currently examining the expanded use of Section 301 as well as other new authorities granted to the President in the Tariff and Trade Act of 1984 as possible sources of leverage to insure that U.S. companies have fair access to foreign markets, including those in Japan.

QUESTION:

I was somewhat surprised to read in a press report that our negotiators have asked the Japanese to only establish an accounting system to prevent a company from cross-subsidizing to the detriment of competitors. Why have we relied on such a weak solution to this important concern?

ANSWER:

The Japanese Ministry of Posts and Telecommunications (MPT) has satisfied our negotiators that it will have an adequate legal framework in place to prevent companies providing regulated, common-carrier services from using the revenue and other advantages derived from those regulated activities to unfairly compete against U.S. companies in market-determined businesses. As our experience in the United States has shown, this framework must be heavily focused on establishing adequate accounting procedures to separate regulated and market-determined activities. Our confidence in these measures is reinforced by our assessment that MPT, Ministry of International Trade and Industry (MITI), and Japanese companies have interests parallel to ours in preventing Nippon Telephone and Telegraph (NTT) and other Japanese companies providing common carrier services from abusing their positions.

QUESTION:

While the negotiations with Japan have achieved prominence, we also face similar problems with Canada, in Europe, and elsewhere in the world. Could you please tell me what problems we are facing in these other countries, and what we are doing about them?

ANSWER:

As in the case of Japan the United States seeks greater market access for its telecommunications products in European markets. In 1984, U.S. exports of telecommunications equipment to Europe amounted to only $350 million. While we are aware that U.S. companies maintain a strong investment position in many European countries, we are concerned over certain policies such as the apparent bias of most public telephone and telegraph companies toward procurement from national-based companies, as well as the lengthy and complex procedures for certification and approval of telecommunications terminal equipment, which hinder the ability of U.S. companies to export telecommunications equipment to Europe.

Currently the Administration is considering alternative legislative and administrative means to achieve greater market access which could include recommending legislation that would grant greater authority to the President to negotiate telecommunications-opening measures, including the raising or lowering of tariffs.

Canada does not protect domestic or foreign creators of motion pictures and other programming against unauthorized simultaneous retransmission by cable system of broadcasting signals containing their works. At the March 18 Summit meeting in Quebec, the Prime Minister informed the President that it is the intention of the Government to meet the challenge of creating an appropriate and balanced copyright environment. The Prime Minister assured the President that revision of the Copyright Act is a priority. He promised "best efforts" would be made to accommodate U.S. concerns on the protection of programming retransmitted by cable or satellite.

The President and the Prime Minister agreed to develop, over the next twelve months, a plan for the elimination or reduction of tariff and non-tariff barriers to trade in high-technology goods and related services, such as computers, data flow and computer-assisted design and manufacturing technology.

Under Brazilian informatics policy, all equipment, including telecommunications, that incorporates a digital component requires special approval before it can be imported. The objective of this policy is to stimulate domestic manufacture of specific projects. While this policy has been in place for several years, Brazil recently passed legislation to institutionalize it. After the Government of Brazil (GOB) denied a request for bilateral discussions on the effects of the policy on trade and investment, we requested GATT Article XXII consultations, to determine whether the policy is consistent with Brazil's obligations under the GATT. We are now awaiting a response from the GOB.

QUESTION:

The Commerce Department and particularly NTIA have substantially improved their performance in monitoring foreign telecommunications trade problems and in presenting our views. However, it appears we will have difficulty if problems occur in various countries at the same time. Are further resources required?

ANSWER:

NTIA can, and does, work affirmatively with other agencies of the Department of Commerce including the International Trade Administration and can make use of the talents and resources of those agencies as needed.

Alternative International Satellite Systems

QUESTION:

What is the effect on the Administration's policy on alternative international satellite systems of INTELSAT's recent agreements with the U.S.S.R. to expand Russia's use of the INTELSAT system with the possibility of later becoming a member of INTELSAT?

ANSWER:

INTELSAT recently stated that reports of any agreement with the Soviet Union are inaccurate, and that discussions with the Soviets will continue. The possibility of the Soviet Union making greater use of INTELSAT or joining the organization has no direct effect on the Administration's policy of allowing U.S.-based international satellite systems separate from INTELSAT subject to service limitations and consultation with INTELSAT. Indeed, such a possibility may tend to undercut arguments advanced by those opposed to the President's international satellite initiative which arguments imply possible expansion of the Soviet INTERSPUTNIK system. Reports of discussions between INTELSAT and Soviet officials indicate that the INTELSAT and INTERSPUTNIK systems are not directly competitive, as has been alleged, and that, because of its technology and capabilities, INTELSAT is highly likely to remain a strong and important factor in the international communications field.

QUESTION:

The FCC recently approved a private cable, TelOptik, to be laid between the U.S. and England. What effect will this have on the viability of INTELSAT and the Administration's alternative satellite policy?

ANSWER:

As discussed in the White Paper regarding the Administration's policy published by the Interagency Group on International Communication and Information Policy, INTELSAT confronts competition from many sources other than the limited service separate satellite systems the United States is proposing to license. The Administration considered the possibility of additional fiber optic cables when it developed its international satellite policy. It is because of such cable competition that the

Administration has supported not only the development of additional satellite systems but also changes in Federal Commmunications Commission rules to permit INTELSAT to deal with a broad range of U.S. customers and carriers in addition to Comsat. The development of new underseas cable facilities should have little adverse effect on INTELSAT if the Commisssion makes the changes in its rules governing dealings with Comsat that the Administration has recommended.

QUESTION:

The Administration's alternative satellite policy called for permitting INTELSAT to have increased flexibility in setting prices to meet the competition. Why can't INTELSAT achieve this result today by simply creating a new service, as, in fact, it has already done?

ANSWER:

The Administration's White Paper reflected the considered opinion of the Department of State that INTELSAT enjoys adequate flexibility under the terms of the 1973 INTELSAT Agreement. We have deferred to the State Department with regard to their interpretation of this international agreement.

As a matter of sound telecommunications policy, INTELSAT should have flexibility to compete on a price basis with competitors. Not only is State of the view such flexibility exists, but there is significant evidence that INTELSAT has used such flexibility in the past.

QUESTION:

How can the United States ensure that INTELSAT will not use its monopoly type services to subsidize its competitive services?

ANSWER:

The Administration's White Paper discusses the possibility that INTELSAT might cross-subsidize competitive services. Our analysis indicated that this was unlikely to prove a major problem given, among other things, the development of systems such as the new carrier-owned fiber optic cables. If INTELSAT were to overprice monopoly offerings in an effort to recoup losses incurred as part of a program of "predatory" pricing, the net effect might be simply to move monopoly traffic off of the INTELSAT system and onto the cable facilities. We did note, however, that if it were shown that INTELSAT was engaging in such unfair pricing to the detriment of competition, the United States would reexamine the limits placed on the separate satellite systems.

Economic and Statistical Analysis

QUESTION:

The President's Commission on Industrial Competitiveness recently called for more, not less, effort to orient Federal research and development activities towards the needs of industry. Yet the Administration proposes to eliminate the Office of Productivity, Technology, and Innovation -- the one Federal office that monitors industry's R&D needs. Is the Committee to infer that the needs of industry are being downgraded at the Department of Commerce.

ANSWER:

The Office of Productivity, Technology, and Innovation (OPTI) has not been in the business of monitoring industry's R&D needs. Rather, through its work on R&D limited partnerships and on R&D tax and antitrust issues, OPTI has sought to eliminate barriers and create incentives without attempting to direct industry's R&D investment. The OPTI budget decision reflects the Administration's view that OPTI has successfully completed this work. The Department of Commerce is not downgrading the needs of industry, it is encouraging industry to take advantage of the groundwork that OPTI has laid.

QUESTION:

Will the Department request the reauthorization of the Stevenson-Wydler Technology Innovation Act, or any part of it? What is the rationale for the Department's position?

ANSWER:

The Department will not request reauthorization of appropriations for the Stevenson-Wydler Technology Innovation Act. Two operating units within the Department have responsibilities under the Act, the Office of Productivity, Technology, and Innovation (OPTI) and the Center for the Utilization of Federal Technology (CUFT) program of the National Technical Information Service. Authorization for appropriations for OPTI is requested in the proposed authorization for the National Bureau of Standards; CUFT is self-supporting from user fees and therefore requires no appropriations.

QUESTION:

Last year the President pocket-vetoed a manufacturing sciences bill (H.R. 5172) on the grounds that a competitive grants programs, even one based on unsolicited proposals, constituted "industrial policy." Yet the Department of Commerce is now taking an interventionist approach in industrial research, most recently an effort by DOC's Office of Chemicals and Applied Products to create and fund a joint research project on ceramics.

These projects may be very valuable, but they lead to two basic questions. First, how many of these Commerce-supported R&D ventures now exist or are being considered? What is the cost of these efforts? Second, Administration policy regarding these ventures appears highly inconsistent. Does the Department favor government seed money to aid industrial R&D ventures in economically strategic sectors, or does it not? And why do the nation's important manufacturing industries apparently receive such low priority from the Department?

ANSWER:

The Department of Commerce opposed Title 3 of H.R. 5172, which was vetoed by President Reagan, because of its cost, and because the Administration believes that the Federal Government should not make investment decisions for commercially applicable R&D which are better left to the marketplace. The Government's appropriate role, instead, should be to remove barriers and create incentives for the private sector to carry out research and development. The Department of Commerce does not now support and is not considering support of joint research projects.

National Bureau of Standards

QUESTION:

Both the Center for Fire Research and the Center for Building Technology provide important Federal Services. CFR provides technical advice to the Consumer Product Safety Commission, among others. CBT is part of the National Earthquake Hazards Reduction Program; it provides technical assistance to the Federal Emergency Management Agency and formulates seismic codes for Federal buildings. Given these obvious and important Federal roles, why does the Department continue to argue that the activities of CFR and CBT can and should be left to the states and the private sector?

ANSWER:

Fire safety and building performance has always been the responsibility of state and local government and, therefore the cost of necessary research for these activities should be borne by them.

QUESTION:

What is the estimated cost to the American economy if important CFR and CBT research is not picked up by the private sector? As an example, CFR's work on reducing fire damage from upholstered furniture may, if continued, save lives and millions of dollars of property. If that work is stopped, what will be the cost to this country? Has the Department prepared a detailed estimate of these costs? If not, why not?

ANSWER:

The Administration's proposal to close down work in CFR and CBT is based on State and Local Government assumption of these responsibilities. No estimates of the cost to the American economy have been prepared nor is it considered necessary to do so.

QUESTION:

Personnel from CFR, CBT, and the Institute for Computer Sciences and Technology all provide services to other Federal agencies. CFR and CBT perform safety analyses. ICST provides advice in important areas such as computer security. If the Administration's proposed budget cuts are accepted by Congress, what will be the overall cost to the taxpayers of (i) hiring private consultants to provide these services throughout the government and (ii) paying the associated administrative costs of processing bids and providing security clearances?

ANSWER:

The FY 1986 estimate of Other Agency funding for CFR, CBT, and ICST is as follows:

1)	CFR	$2,855,000
2)	CBT	$8,784,000
3)	ICST	$3,500,000

If these three programs are cut, the needs of other Federal agencies will have to be met by alternative sources at approximately the same cost.

QUESTION:

According to the National Academy of Sciences, construction of a cold neutron source at NBS is a high priority in the materials research field. However, why must the construction of this facility be funded at the expense of existing NBS programs that remain of high importance to both the Federal government and American industry? If the Department wishes to add to the Bureau's current responsibilities, should not additional funds be provided?

ANSWER:

Additional funds have been requested to fund a National Facility for Cold Neutron Research. The NBS programs proposed for reduction were identified by an independent process and reflect the President's determination to curb domestic spending and achieve a significant reduction in the Federal deficit. Reprogramming funds from existing programs to construct the Cold Neutron Facility has not been proposed.

QUESTION:

The Administration proposes to limit the number of NBS employees in grades 11 through 15. How many positions in these grades will be eliminated at Standards? Given that NBS is a technical agency that needs scientists and engineers in these grades, how can the Bureau maintain its current programs as well as the new initiatives proposed by the Administration? Will not the quality of NBS work decline?

ANSWER:

Thirty positions are to be eliminated each year for a total of 120 positions by the end of FY 1988. New position ceilings were requested with the funding for expansion programs including 78 in the GS 11-15 range. It is now too early to assess the long range impact on NBS' technical programs. The consequences of continuing these restrictions beyond this year would need to be carefully assessed.

QUESTIONS SUBMITTED BY SENATOR INOUYE

QUESTION:

Yesterday I received your response to a joint letter that Senators Weicker, Long, Johnston, Hollings, Hatfield, Bumpers, Eagleton, and I sent you regarding the recent rescission of FY 1985 funds appropriated by the Congress for NOAA. In that letter you stated that the Coastal Zone Management (CZM) program, among others, had fulfilled its objectives and no longer required federal funding. If the federal role in coastal zone management is to be eliminated, however, how can the CZM program continue as a national program responsible for providing consistent and practical coastal guidelines from state to state?

ANSWER:

A federal role in the CZM program will continue after the phase-out of federal grant funds to the states. As outlined in the President's FY 1986 budget submission to the Congress, funds are requested to retain sufficient program staff to monitor and evaluate the performance of state CZM programs to ensure their consistency with national coastal policy. Other continuing functions of the staff include: administration of the Estuarine and Marine Sanctuary Programs, coordination of NOAA-wide comments on Outer Continental Shelf lease sales, and the conduct of policy analyses of ocean and coastal resources use issues.

QUESTION:

Moreover, how can states develop and implement their CZM plans when the new rules being proposed by the agency would exempt federal oil and gas leasing from the CZM consistency provisions?

ANSWER:

The review of federal OCS oil and gas leasing activities and consistency review in general is only a very minute portion of the activities of state comprehensive coastal resource management programs. Regarding consistency, although the decision of the Supreme Court in California v. Watt does exempt federal oil and gas lease sales from state consistency review, other leasing activities such as OCS exploration, development and production plans continue to be subject to consistency review, as do all other Federal activities, licenses or permits directly affecting the resources of the coastal zone. In addition the state CZM programs will continue to perform other vital program functions such as permit issuance and/or monitoring, improving public access to the coast, and urban water front revitalization activities.

QUESTION:

The Department of Commerce is on record as being in support of reauthorization of the CZM Act, and yet is against further federal funding of the program. What exactly does Commerce support in the CZM Act?

ANSWER:

We support the continued implementation of the CZMA. Regarding those subsections of Section 318, Authorization of Appropriations, which expire in FY 1985, we support reauthorization of the following: Section 318(a)(5), grants for the acquisition and management of estuarine sanctuaries; and Section 318(a)(6), program management funds to support the operation of NOAA's Office of Ocean and Coastal Resource Management (OCRM).

The reauthorization of Estuarine Sanctuary funds will allow us to continue the phased acquisition of new sites for the National Estuarine Sanctuary System, and to continue support for sanctuary operations and research. Funds for the operation of OCRM's federal staff will allow us to operate the Sanctuary Program, continue the monitoring and evaluation of state CZM programs, and other duties as outlined in the response to the question above.

QUESTION:

The FY86 budget for NOAA includes large increases in the atmospheric programs and large cuts in ocean and coastal programs to balance the account. I certainly understand and support the increases in atmospheric funding and maintaining our satellite programs is essential. I do not feel, however, that the necessary increases in these programs should be taken out of the hide of important ocean and coastal programs. Would it be possible for these two accounts to be separated within NOAA in terms of funding so that a budget freeze does not mean the elimination of the "O" in NOAA?

ANSWER:

The atmospheric and ocean programs are funded under one account to present a comprehensive picture of NOAA's programs. The Department considers the current one appropriation for NOAA to be both appropriate and desirable.

The FY 1986 budget reflects the resources required to address NOAA's highest priority responsibilities in ocean resource research and development (R&D). The proposed reductions do not, in any way, reflect a lower commitment to fulfilling the legitimate Federal role in the development and management of ocean resources. Rather, the majority of the ocean and coastal R&D cuts proposed in the FY 1986 budget involve programs which have fulfilled their original objectives or are more appropriately supported by the private sector or state interests which benefit from their results.

QUESTIONS SUBMITTED BY SENATOR BUMPERS

The State of the Economy

QUESTION:

On page 1 of your testimony, you provide a small set of rather rosey economic statistics - investment is up, employment has increased, new business growth is high, and so on. While these statistics are quite right, and I couldn't be more pleased with the progress that we've made over the depression of 1982, I am very concerned that out current growth is skewed in the short run and self-destructive in the long run. Many sectors of our economy are not only not sharing in the growth but are barely surviving. Arkansas, and other trade-sensitive states are simply not prospering in this period of growth that you describe in such glowing terms. The unemployment rate in Arkansas is 9.5% - we have lost thousands of jobs in the footwear, apparel, and agricultural sectors because of the deficit-induced overvaluation of the dollar.

At a time when the disparity in economic well-being is growing, don't you think that some consideration should be given as to whether the timing is right to drop our efforts to help less developed regions of the country.

ANSWER:

We believe it is vital to our economy to reduce the rate of growth in government and thereby promote investment and development through the private sector. In order to accomplish this objective, we must cut back on a number of programs, such as economic development, which cannot be regarded a high priority in the current environment. If our projections for the gross national product are realized, many industries and regions which are currently distressed will be regenerated even without Federal economic development assistance.

QUESTIONS SUBMITTED BY SENATOR CHILES

Japanese Trade Deficit

QUESTION:

Mr. Secretary, many of us in Congress are extremely concerned about the huge trade deficits we have been running in the last few years. Deficits exist with many of our major trading partners, but, Japan with its surplus of some $37 billion is particularly troubling.

Mr. Secretary, I know all the explanations for our huge trade deficits including the overvalued dollar caused by high interest rates and huge Federal budget deficits and our relatively faster economic recovery. I agree that these factors play a significant role, but, I'm also convinced there is more to the problem than that. I'm convinced another key factor is the unwillingness of some of our trading partners to give us the same free access to their markets as we give to them. Would you agree Mr. Secretary?

ANSWER:

Yes. For this reason, the Administration remains committed to opening foreign markets and ensuring greater market access for U.S. exports.

The Trade and Tariff Act of 1984 has provided us with valuable authority to achieve this goal. In accordance with Section 303 of the Act, we are preparing an inventory and analysis of trade barriers maintained by our trading partners. This report will include a section on action the Administration is taking to eliminate the practices identified. Once completed, this study will be used to help assess what further measures we can pursue to prompt other countries to open up their markets. Furthermore, we intend to use the strengthened section 301 authority to respond to foreign practices which discriminate against U.S. products, services and investment.

Finally, we hope to negotiate in a new trade round reduction in market access barriers.

QUESTION:

Our trade deficit with Japan jumped from $19 billion in 1983 to $37 billion in 1984. Would you briefly describe the components of U.S.-Japanese trade?

ANSWER:

The bilateral deficit rose from $19 billion to $34 billion by 1984 on a free along side/customs value basis, or from $22 billion to $37 billion on a free along side/cost insurance and freight value basis.

The major items exported to Japan from the United States in 1984 included corn ($2.0 billion), chemicals ($1.6 million), soybeans ($1.2 billion), office machinery and computers ($1.1 billion), and aircraft and parts ($1.1 billion).

The main U.S. import items from Japan in 1984 were passenger cars ($13.0 billion), office machinery and ADP machines ($5.5 billion), electrical machinery and parts ($5.1 billion), consumer electronics ($4.8 billion) and steel mill products ($3.5 billion).

QUESTION:

Isn't it true that the majority of our exports to Japan are raw materials or agricultural products while they send us almost exclusively manufactured products?

ANSWER:

Manufactured goods made up $59.3 billion of the $60.4 billion in total Japanese exports to the United States in 1984. In contrast, manufactured items accounted for just $11.1 billion of the $23.6 billion in U.S. exports to Japan, while exports of agricultural products and raw materials amounted to $12.5 billion.

QUESTION:

How much would our trade deficit with Japan have increased were it not for the voluntary auto import restraints?

ANSWER:

Based on an estimated average Japanese car import value of $6,300, Japan would have sold an additional $3.2 billion to $6.3 billion worth of autos to the United States in Japanese fiscal year 1984-85 (April 1, 1984 through March 31, 1985).

QUESTION:

Would you tell us something about the system of non-tariff barriers the Japanese use to exclude foreign products from their markets?

ANSWER:

A wide array of Japanese practices and procedures limit market entry for foreign products. These include restrictive standards, testing, and certification procedures, quotas, and lengthy customs clearance due to the refusal of regulatory agencies to delegate authority to customs officials, to name just a few. These impediments affected a large range of products, including telecommunications equipment and services, medical equipment, manufactured tobacco products, and financial and legal services, as well as many others.

QUESTION:

Much has been written lately about U.S.-Japanese trading relations with regard to telecommunications products. Most experts acknowledge the U.S. is very competitive in this field and, in fact, is the world leader. Would you describe current U.S.-Japanese trade in telecommunications as fair or reasonable given our competitive position?

ANSWER:

Although U.S. technology in telecommunications is unsurpassed, our international trade position in telecommunications equipment is not commensurate with our leadership position. This is most evident in our trade with Japan. In 1984, Japanese telecommunications equipment exports accounted for 50 percent of U.S. imports. The U.S. deficit with Japan in telecommunications equipment trade was $2 billion. On the other hand, we continue to maintain a healthy surplus in telecommunications equipment trade with the European Community, valued at $535 million in 1984.

QUESTION:

Last year, how much telecommunications equipment did we sell in Japan?

ANSWER:

Last year, the U.S. exported $194 million of telecommunications equipment to Japan.

QUESTION:

How much did they sell here?

ANSWER:

Japan exported $2,079 million of telecommunications equipment to the U.S.

QUESTION:

Wasn't much of this amount due to the fact that when Ma Bell broke up, Japanese companies were allowed to freely compete in our market?

ANSWER:

Japanese telecommunications equipment exports increased by 58 percent in 1984. While a part of the increase can be attributed to the break-up of ATT in 1984, I believe the strong dollar and the relative strength of the U.S. economy last year were also contributing factors.

QUESTION:

Why are the Japanese reluctant to let American telecommunications suppliers into their market?

ANSWER:

Japanese reluctance to buy foreign products are deep-rooted in the belief that Japan must export valued-added products in order to pay for its imports of raw materials. In order to develop competitive export sectors, both Japanese government and business cooperate to nurture the development of industries often at the expense of foreign imports. The telecommunications market of Japan has been under a monopoly (NTT) for 110 years and the supplier arrangements to sell to NTT has been well established. Foreign suppliers threaten not only the traditional supplier arrangements but the competitive base of Japanese firms to sell in their own domestic market as well as to the world markets.

QUESTION:

By April 1, the Japanese government is supposed to announce the guidelines under which foreign suppliers of telecommunications products will be allowed to compete in the Japanese market. Would you give us your views as to the likely content of these guidelines?

ANSWER:

On equipment testing and certification, the Japanese will designate on April 1, a single independent agency that will have the authority to approve all terminal equipment, including those attached to the public telephone network and to other networks such as telex, facsimile, videotext, etc. The method of certification will be a type approval-like system, whereby U.S. firms can self-certify their equipment on the basis of the manufacturers' test data. The approval procedures will be quite similar to those used by the FCC. In the area of product standards, we have been able to reduce the number of criteria applicable to the products, but have been unsuccessful in limiting standards to 'harm to the network' only. Discussions are still continuing on this subject, and it is most important that we obtain Japanese agreement on this issue.

QUESTION:

Will they be as restrictive as originally feared?

ANSWER:

We have made exceptional progress in our negotiations for equipment testing and certification and the proposed system is no longer as restrictive as we originally feared.

QUESTION:

I sometimes get the feeling that our trade negotiations over the years with the Japanese have gone for very little. While they have made some concessions with regard to citrus products, what more can we do to get them to engage in more equitable trading relations?

ANSWER:

It is fair to say that in general our trade negotiations with Japan have achieved only limited progress. In some areas we have made substantial gains, in some none at all. What we have done is learn that barriers to trade in Japan are complex, multi-layered and often quite difficult to document.

That is really the genesis of our current sectoral negotiations. If the Japanese market is to be really open, all barriers to the import of competitive foreign products must be removed. This includes tariffs, quotas, bureaucratic impedance, preferential private purchase arrangements and more. In many cases this requires changing or eliminating longstanding and politically popular policies. It requires the acceptance in Japan that foreign goods and services must be free to compete in all sectors, not just those where domestic companies are established and strong. It includes depressed and emerging sectors where foreign products are often restricted to prevent harm to domestic producers.

QUESTION:

If the Japanese do not significantly open their market to foreign competition in the near future, what measures would you recommend the U.S. and other locked-out countries take?

ANSWER:

There are several courses of action open, but no decision has been made as to a future U.S. course of action. I believe its fair to say that a failure in our market-oriented sector-selective negotiations would argue for increased pressure by the U.S. on Japan. The new trade law provides strengthened provisions and criteria for a section 301 response. But no decision has been made, and I hope we will achieve the success in opening the Japanese market necessary to avoid any such course of action.

QUESTION:

Do you favor a New Round of negotiations in the General Agreement on Tariffs and Trade (GATT)? If so, in your opinion, what should be covered?

ANSWER:

The Administration as a whole, and I personally, strongly favor the launching of a New Round of Multilateral Trade Negotiations under the auspices of the GATT. We hope that these comprehensive negotiations can begin in 1986. A New Round would provide the U.S. and its trading partners with the opportunity to strengthen current GATT rules and expand international rules into areas presently lacking sufficient discipline. Our priorities for items to be addressed in these negotiations include trade in services, agriculture, and high technology goods, safeguards, commercial counterfeiting, GATT dispute settlement, and investment.

QUESTION:

Do you believe the GATT has outlived its usefulness as a tool for promoting and assuring fair world trade?

ANSWER:

No. While the GATT may be having some "growing pains," it has not outlived its usefulness. During its nearly forty years of existence the GATT has been successful in ensuring the continued growth of world trade through the reduction of tariff and non-tariff barriers alike and we believe it can continue to foster such growth. However, today the global trading community is presented with new challenges we must respond to as a result of economic changes and barriers never anticipated by the system's founders.

QUESTION:

How could it be changed to reflect today's realities?

ANSWER:

We believe a new trade round would prompt GATT members to develop needed solutions to cure the deficiencies in the current system, particularly in the areas of dispute settlement, agriculture, and safeguards. In an effort to bring the GATT in conformity with new realities of today's multilateral trading environment, a New Round would also allow us to expand current rules and create new rules to impose discipline in the emerging areas of trade in services and high technology goods, investment, and intellectual property rights.

QUESTIONS SUBMITTED BY SENATOR LAUTENBERG

Coordinating Committee for Multilateral Export Controls - COCOM

QUESTION:

Do you know precisely what approach the other COCOM countries will take in implementing the agreement? Will their regulations impose exactly the same restrictions on exactly the same types of computers, software, precision instruments, and switching equipment as the ones you have promulgated?

ANSWER:

The regulations promulgated by Commerce do not differ from the COCOM agreement, multilaterally. Since Commerce did not alter the text of the regulations from that agreed upon, the other COCOM countries are obligated to implement the same restrictions.

QUESTION:

Take a specific example -- embedded microprocessors." — Under the U.S. regulations, instruments containing an embedded microprocessor would be controlled unless the microprocessor "cannot be removed from the equipment (or system) without rendering both...inoperable, and without causing damage to the "digital computer" that would require substantial rework..." None of our COCOM partners control embedded microprocessors now. What assurances do you have that they are going to adopt this restrictive definition?

ANSWER:

The definition of "embedded microprocessor," including the language concerning "damage," was expressly agreed to by all COCOM members. It is not a unilateral U.S. position. Therefore all COCOM members are under an obligation to control "embedded" computers in accordance with that definition.

The Department is keenly aware that this definition may be more rigid than is necessary to protect national security.

Therefore, Commerce has proposed to Defense an interpretation of this language that would release from control non-strategic equipment. The Commerce proposal accepts industry suggestions to bring the definition of "embedded" computer more in line with accepted industry practice. It is based on the principle that hostile powers will not disassemble expensive equipment to divert relatively inexpensive computers that can be exported legally.

QUESTION:

This definition in effect reimposes controls on over 70 categories of instruments that were just decontrolled last April, doesn't it? Why?

ANSWER:

Commerce decontrolled 77 categories of instruments that were subject to unilateral U.S. controls. The January 1, 1985 rules reflect the COCOM agreement to control "digital computers" even when "embedded" in instruments. Therefore, the COCOM control focuses not on the instrument, but on the computer contained in the instrument. As a result, multilateral controls may have been reestablished on certain equipment that was unilaterally released by the United States before the COCOM agreement. The extent of this overlap is not clear, but some equipment that was freed from control may be caught again because it contains a computer that COCOM is concerned about. Commerce has submitted for Defense Department review a proposal that will minimize any potential recontrol. In the interim, the "Saving Clause" will postpone any recontrol until April 29, 1985.

QUESTION:

Much the same point applies to the new regulations on software. My understanding is that the categories of software you are putting on the Control List are so broad and diffusely defined that many products now routinely exported under a general license may require validated licenses. Without an unambiguous standard, exporters will deluge the Department with applications, won't they?

ANSWER:

We agree that portions of the software regulations are somewhat broadly defined. Therefore, Commerce extended the "Saving Clause" to afford additional time to clarify the software regulations. We published the regulations, in the COCOM agreed-upon form to inform exporters of the new restrictions.

Clarifications of the regulations will be published before April 29, 1985, or the "Saving Clause" will be extended.

QUESTION:

Isn't the effect of these regulations to impose unilateral controls of unknown and perhaps unknowable scope? Unless our COCOM partners implement exactly the same restrictions, we will be in the position of having handicapped some of our most competitive high tech industries. Can you explain to me why the Administration chose to implement the agreement before the other members of COCOM did so? Would it not have made sense to act in concert?

ANSWER:

All COCOM members agreed that the rules became effective on January 1. Commerce has received information that other COCOM members have informally notified their industry of the new controls and are processing cases in accordance with the new rules. Certainly any cases submitted for U.S. review by other COCOM members are treated in accordance with the new rules. Recently, the State Department requested other COCOM members to provide the U.S. Government with a status report on their implementation of the computer agreement.

Processing of Licenses

QUESTION:

Your budget submission projects a sharp decline in the average number of days it takes to process a license--from 180 in 1984 to 30 in 1986. At the same time, the number of applications is predicted to rise from 117,298 in 1984 to 183,555, a 56 percent increase. How do you get such a sharp increase in productivity?

ANSWER:

The Office of Export Administration will show a sharp increase in productivity through the use of 2 programs; the Export Control Automated Support System (ECASS) and the Fast-Track licensing program. The ECASS will automate a currently manual system that is slow and error ridden. Fast-Track provides for applications to be processed concurrently, in a production line mode. These programs will not only increase productivity but will also increase the accuracy of licensing decisions.

QUESTION:

What will happen to your average processing time if these new regulations generate an additional 40,000 to 50,000 applications/year?

ANSWER:

If OEA receives the funds requested for ECASS and for the other program initiatives (namely West-West licensing, Commodity List Reform and Distribution License Auditing), we expect that the average processing time will not go up despite an expected additional 40,000 - 50,000 licenses for FY 1986.

QUESTION:

How many license applications are currently pending? How many have been pending for more than 20 days? 45 days? 60 days? 75 days? 100 days? 140 days? 180 days? Would you supply for the record this breakout for the past five years? What is the average value of shipments in each of these categories?

ANSWER:

Given current application receipt and processing rates, there are approximately 12-13 thousand case pending at any given point in time. As of April 1, 1985 there were 12,900 license applications pending in the Office of Export Administration. The breakout for these cases is as follows:

Period	Number	Average Value (millions)
1 - 20 days	5,900	1.4
21 - 45 days	2,800	1.7
46 - 60 days	800	1.3
61 - 75 days	300	1.3
76 - 100 days	600	1.2
101 - 140 days	1,000	1.2
141 - 180 days	800	1.3
181 plus days	700	1.5
Total Pending	12,900	1.4

The five year breakout information you requested is not available since no historical records of cases pending on individual days over the past five years are maintained.

QUESTION:

Would you provide the Committee with copies of the following documents relative to the COCOM agreement entered into in July: (a) the COCOM International List; (b) all Statements of Understanding pertaining thereto; and (c) the Record of Discussion of the Negotiations.

ANSWER:

All of the above documents are classified Confidential.

Although the bulk of the agreements were completed in July, the agreements for computer hardware (1565), computer software (1566) and switching (1567) were not completed until after July.

The changes (only) to the COCOM agreements run to 134 pages. This total does not include 1565/6/7 which is an additional 82 pages. These can be copied and supplied under regular security procedures. The Records of Discussion are very extensive and are the entire length of a safe drawer.

Most of the 1565/6/7 agreements were published in the Federal Register on December 31, 1984. (The Statements of Understanding were not published.) Some other small pieces of the agreement were published on March 30, 1984.

QUESTION:

I note that you are requesting $4,073,000 for a new Export Control Automated Support System (ECASS). Do you intend to use this system to process the more routine license applications?

ANSWER:

Yes. We feel that over 50 percent of all export license applications could be processed automatically. Our greatest payoff and thus effort will be directed to these routine cases.

LANDSAT

QUESTION:

a. Is the Administration planning to continue Land Remote Sensing as directed under Public Law 98-365?

b. Has the Department of Commerce received a responsive proposal?

ANSWER:

a. Yes, the Administration is planning to continue the commercialization process as directed under Public Law 98-365.

b. Yes, the proposal is responsive to the requirements of the law.

QUESTION:

a. What is preventing the Commercialization Program for Remote Sensing from continuing?

b. Wasn't October of 1984 the original transition date?

c. Please provide a step-by-step account of the contracting process from the issuance of th RFP to date.

ANSWER:

a. Nothing is preventing the commercialization program for remote sensing from continuing and the Federal Government has been working very hard in trying to implement this program. The delay has been caused by the careful programmatic analysis that the Administration has given to this proposal and to the analysis of its impact to the overall Federal Budget.

b. Yes, October of 1984 was the original expected starting date for the commercialization contract.

c. The following is a chronology of the commercialization process to date:

Landsat Commercialization

January 3, 1984	Final RFP released for industry responses.
March 19, 1984	Proposals received from offerors for consideration by the Source Evaluation Board (SEB).
April 6, 1984	Firms that did not pass the minimum tests for acceptability were notified.
May 12-22, 1984	Final evaluation by SEB of proposals and preparation of final report.

July 1, 1984	Negotiation begins between the Department of Commerce and the remaining bidders (EOSAT and Kodak) for a contract.
July 17, 1984	P.L. 98-365, authorizing commercialization, signed by the President.
August 10, 1984	President agreed with OMB's decision to provide new budget authority of $250 million for the commercialization contract.
August 17, 1984	Kodak withdrew.
September 19, 1984	Report to Congress on Landsat Commercialization Contract transmitted.
February 4, 1985	FY 1986 Budget released specifying the Administration's programmatic requirements for a commercialization contract.

QUESTION:

a. Is the Department of Commerce satisfied that the final proposal received from industry represents "the best deal" for the Government based upon prior Landsat procurements and recent actions?

b. Will the industry-proposed program satisfy U.S. Government needs for data?

c. Does the industry plan to utilize the current Government Data Center in South Dakota to the maximum extent possible?

ANSWER:

a. The Department is satisfied that EOSAT's proposal represents "the best deal" for the Government in the sense that it is significantly less than Landsat 4/5 procurement and any other estimate that has been made for a system procured by the Government which meets the requirements of the Request For Proposals and P.L. 98-365.

b. Yes, the proposed program satisfies the Government's need for data and exceeds it in some areas.

c. The Government currently plans to have the Landsat data archive reside at the Earth Resources Observation System (EROS) Data Center (EDC) in South Dakota. NOAA currently operates, and the vendor plans to continue to operate, the Data Center facilities one shift per day, five days per week for at least 18 months after the contract is initiated.

QUESTION:

What is the Administration's position regarding maintaining our international commitments to provide data to other nations?

ANSWER:

The Government will maintain all international commitments.

QUESTION:

Does the Department of Commerce budget propose sufficient funding to implement P.L. 98-365?

ANSWER:

No, the current budget does not contain amounts for the Landsat Commercialization contract. An FY 1985 supplemental and FY 1986 Budget Admendment will be submitted after the completion of the analysis and the receipt of an acceptable contract.

QUESTION:

a. If, for any reason, the Commercialization Program does not proceed, would the Department have sufficient funds to otherwise maintain data continuity, both domestically and internationally?

b. Please describe the activities of the French and the Japanese and other competitors in the area of remote sensing?

c. What would be the cost to the Government of continuing the current Government-only program over the next ten years versus the projected cost of the present industry proposal?

ANSWER:

a. There are sufficient funds specified in the FY 1985, 1986 and 1987 budget requests to continue to operate the present system until the end of the life of Landsat 5.

b. The first satellite of France's SPOT system will be launched in October 1985. Three more spacecraft are planned in order to provide data continuity for 10 years. The SPOT satellite will carry two pointable multi-spectral imagers that employ advanced multi-linear array sensor technology. The imagers can be programmed to acquire data at 10 or 20 meters resolution. A specialized entity, SPOT Image, was established in January 1982 to market and distribute data on a commercial basis. All data will be available on a public, non-discriminatory basis, and will be received directly by a global network of foreign operated ground stations. Japan has two programs underway. MOS-1 (Marine Observation Satellite) will be launched in the summer of 1986. The sensors will use multi-spectral and microwave technology for ocean and land applications. Multi-linear array technology will be used for the multi-spectral scanners. No decision has been made on foreign direct readout, though it is expected that all data will be publicly available.

The Earth Resources Satellite (ERS) will carry two multi-spectral sensors and a synthetic aperture radar. The satellite will be launched in mid-1990 and will provide Japan with a capability to monitor globally mineral, energy, and agricultural resources. All data is expected to be publicly available, however, no decision has been made on foreign direct readout.

In 1990, Canada will launch its RADARSAT satellite. RADARSAT will carry a synthetic aperture radar optimized for ice and sea state observing. Other possible sensors include a multi-spectral instrument and a scatterometer. Foreign direct readout will be available.

The Indian Remote Sensing Satellite (IRS) will have three multi-spectral scanners (using multi-linear array technology) for monitoring renewable and non-renewable resources. IRS will be launched in June 1986. Data availability is yet to be determined, though it is likely that coverage will be limited to the Indian Subcontinent due to technical limitations.

The European Space Agency is planning to launch ERS-1 in early 1989. This satellite will have a synthetic aperture radar, an altimeter, and two scatterometers for global all weather monitoring of the sea state, ice, and land masses. Data will be available publicly through direct readout to foreign stations.

c. The Department's analysis indicates that the cost to continue the present Government system for ten years would be between $900 million and $1200 million. The projected cost of the present industry proposal is $250 million in capital subsidy and approximately $90 million in operations costs for Landsats 4 and 5. This cost does not include Federal agency data purchases.

QUESTION:

Please provide us with the Administration's timetable for completion of Landsat Commercialization.

ANSWER:

The Administration is planning to complete it in as short a time as possible.

INTERNATIONAL TRADE COMMISSION

STATEMENT OF CHAIRWOMAN PAULA STERN, U.S. INTERNATIONAL TRADE COMMISSION

ACCOMPANIED BY:
COMMISSIONER DAVID ROHR
COMMISSIONER SEELEY LODWICK
MR. ARNOLD

INTRODUCTION OF WITNESSES

Senator LAXALT. Let's go to work on ITC. We have got a joint session coming up, so time is on your side.

[Laughter.]

Senator LAXALT. We welcome to the hearing, Dr. Paula Stern, who is the Chairwoman of the International Trade Commission, and I met your staff members, who are also present. We welcome you all.

We have your prepared statement, Doctor. If you would like to summarize it, you are welcome.

Chairwoman STERN. I would be glad to, Mr. Chairman. It is a pleasure to be here and have the opportunity to present our budget request for the Fiscal Year of 1986.

Accompanying me today are Richard Arnold, who is our budget officer, Commissioner Rohr to my right back here, Commissioner Lodwick who is sitting up here at the table.

NEED FOR ADDITIONAL RESOURCES

The Congress and the Commission have long shared a close relationship. While the Constitution gives the Congress the power to regulate foreign commerce, you have assigned some of these responsibilities to us at the ITC. The two institutions, the Congress and the Commission, are so linked that the clamor that is being generated by that U.S trade deficit that you have been talking about all this morning certainly reverberates beyond the halls of Congress to the more modest halls of the Commission. The bottom line, therefore, is we need more resources to deal with this calamity.

BUDGET REQUEST

You have my full statement, and I will just give you a few highlights. The budget request provided by the Commission proposes $28,901,000 for the 482 full-time permanent positions. This is an increase of $3.5 million over our fiscal year 1985 appropriation.

However, this is essentially a request to fund operations at the level that Congress authorized for fiscal year 1985. There are no new program increases funded by this request. Rather, the amount is necessary to fund our current programs at the 1985 authorized strength throughout the entire year of 1986.

RESPONSE TO INDUSTRY AND EMPLOYEE PETITIONS

This amount represents the bare minimum to meet our obligations for what we expect to be an extremely busy year. The actual number of investigations we undertake is always beyond our control. It is basically our job to respond to petitions from industries and workers under statutes that fix our responsibilities and also fix our deadlines.

This point is illustrated almost daily as new petitions arrive at our doorfront seeking redress of the injurious effects, for example, of subsidized or dumped imports into the U.S. market. The Commerce Department, who you just heard from a moment ago, in an effort to respond to these same petitions on subsidies and dumping under those laws has requested an increase for fiscal year 1986 of 37 positions and $1.81 million for its International Trade Administration. Also, recent statements by officials of other trade-related agencies in the Executive branch cause me to believe that they will increasingly request our assistance at the ITC in meeting their responsibilities. We are requesting no staff increases to meet this growing workload or any of the burgeoning demands on our resources.

U.S. TRADE DEFICIT

Our fiscal year 1986 budget request was developed in an atmosphere of mounting pressure due to the continued tensions of international trade. Although recent statistics indicate that 1984 was a record growth year for the United States, the $123 billion trade deficit was also unprecedented, and in fact, the third consecutive record-breaking year. We are, in effect, Mr. Chairman, a MASH unit for the industrial and agricultural victims of the massive trade flows.

When my colleague, Commissioner Eckes addressed you last year as Chairman of the Commission, he reported the ITC was under siege. Today I have to report that the siege has intensified. In fiscal year 1984, we instituted 203 cases, and that had been an increase of 26 percent over fiscal year 1983. Now our latest figures for the first quarter of 1985 show an additional 32 percent increase in our workload compared to the first quarter of last fiscal year.

COMMISSION CASELOAD

Indeed, our caseload so far this year is again exceeding projections on which our budget request was made just this past October. There is little prospect that the forces producing so many requests for import relief will recede any time in the near future. Even if the dollar goes down, there will be a transaction lag, so the impact of that strong dollar will be felt in fiscal year 1986, even if it starts to go down dramatically.

Part of the surge in our caseload can be traced to that appreciation of the dollar, which has drawn those foreign products into the U.S. markets, as Secretary Baldrige emphasized in his statement.

All types of industries, high tech, regular smokestack industries, agricultural producers, are turning to us for relief from this intense foreign competition. Compounding the problem of that superdollar are the fundamental shifts in the comparative advantage of many of our manufacturing firms, because now, firms of newly industrialized countries, especially in Asia, are posing new challenges to those U.S.-established industries.

I would just like to conclude on a personal note. My position at the Commission for the past 6½ years has allowed me to observe first-hand the internationalization of the U.S. economy and to appreciate the hightened importance of our work at the Commission.

Few agencies are experiencing such disproportionate growth in responsibilities relative to their size. Our work increases when American industry and agriculture are feeling injured. In effect, we provide a safety net for American business when times are tough in trade, like they are now, much as unemployment compensation helps tide over workers buffeted by economic vicissitudes. The current trade problems are exerting tremendous pressure on all of us, but we are confident that, with the support of you in Congress, the Commission can meet that challenge.

So in submitting the Commission's budget request for fiscal year 1986, I firmly believe that we will need every penny of it if we are to serve our objectives as defined by you in Congress.

I would be very pleased to answer any questions on the particulars.

[The statement of Chairwoman Stern follows:]

PREPARED STATEMENT OF PAULA STERN
CHAIRWOMAN
U. S. INTERNATIONAL TRADE COMMISSION

Mr. Chairman and members of the Subcommittee, thank you for inviting me to present the Commission's budget request for fiscal year 1986. Accompanying me today are Commissioners Eckes, Lodwick and Rohr, and Rick Arnold, Director of Finance and Budget.

GNP statistics revealed that 1984 was the most robust year for economic growth in the United States in over three decades. This report confirmed the view held by many that the economy is coasting into the third year of recovery.

Unfortunately, there has been no recovery at the ITC, or in the industries with which we deal. In 1984 the U.S. also chalked up a trade deficit of $123.3 billion, the largest in history. This was the third consecutive year in which a record trade deficit was set. Because the work at the Commission closely parallels the activity in the international arena, we have been busier than ever.

The budget request approved by the Commission totals $28,901,000 and 482 full-time permanent positions. This represents an increase of $3,522,000 over our fiscal year 1985 appropriation, assuming that we receive a supplemental appropriation for the January 1985 cost-of-living pay increase. This is essentially a request to fund operations at the same level as authorized for FY 1985. This amount is necessary to fund fully our authorized positions during FY 1986. There are no program increases to be funded by this request.

Let me briefly explain the reasons for the increase over FY 1985. Over one-half of the increase, or $1.8 million, is devoted to paying salaries to an increasingly professional staff. One-third, or $1.2 million, pays for various non-personnel costs, such as equipment rental, printing and other services, and supplies and materials. The remainder of the increase, or $500,000 is due to several other factors, including the increased rental for our current space and annualization of the costs of the positions authorized by Congress for FY 1985.

Mr. Chairman, I believe this amount represents the bare minimum necessary to meet our obligations for what we expect will be an extremely busy year. I should stress that most of our workload — the number of investigations -- is beyond our control; we are usually responding to statutory requirements. Furthermore, much of our workload is subject to tight statutory deadlines.

I would like to take a few moments to review the increasing demands on our resources. Of course, the part of our workload receiving the greatest attention is the decisions we make in import relief cases. We face an avalanche of requests for import relief. In FY 1984, we instituted 42 more cases than in the prior year, an increase of 26%. In the first quarter of FY 1985, we instituted 17 more cases than in the corresponding period in FY 1984, an additional increase of 32%. Indeed, our caseload so far this year is exceeding the projections on which our budget request was based.

Our caseload has been growing not just in size but also in the diversity and complexity of the cases brought before us. The antidumping and countervailing duty statutes continue to be our most active areas. During FY 1984 the Commission had 151 active cases in this area. Although steel and other manufactured products are the most frequent subjects of these investigations, cases involving other industries, such as agriculture, chemicals and high tech products are on the rise, reflecting the increased import sensitivity of the U.S. economy across-the-board. Also, post-decision litigation on these cases has increased to the point that fully 60% of our decisions undergo judicial review. This substantually increases the workload of our legal staff which must defend the Commission in these actions.

A rapidly growing part of our caseload involves unfair trade practice cases filed under section 337 of the Tariff Act of 1930. The protection of U.S. intellectual property rights has been given a high priority, as evidenced by several provisions in the Trade and Tariff Act of 1984. The Commission worked on 74 unfair trade practice cases in FY 1984, a 25% increase over the prior year. We are increasingly drawn into complex issues in these cases. For example, during FY 1984 six cases were declared "more complicated" and extended to 18 months as compared to 5 cases being extended during the prior eight years.

Many of our most celebrated cases are filed under section 201, also known as the "escape clause". As you may know, 1984 was a big year for us in section 201, as we completed five escape clause cases. Although conventional wisdom holds that these cases are reserved for election years, we already have two section 201 cases before us this year, and expect a continued high level of interest.

We see little prospect that the forces that are producing so many requests for import relief will be reversed any time in the near future. Part of the surge in our caseload can be traced to the strong dollar, which has stubbornly defied predictions that a decline in its value is imminent. We continue to see new record highs being set relative to the currencies of our major trading partners. The steep appreciation of the dollar in the last four years has priced U.S. goods out of foreign markets and has drawn foreign products into U.S. markets. Industries that previously faced little or no serious threats from foreign competition suddenly find themselves turning to us for relief.

Underlying the high value of the dollar are fundamental shifts in the comparative advantage of many U.S. manufacturers. Firms in newly industrializing countries, particularly in Asia, are posing new challenges to many established basic industries in the U.S. Thus, many indicators point to further increases in our caseload.

I would like to make several points about our caseload forecasts. First, if recent history has taught us anything it is that we have consistently underestimated the demands placed on our resources. Already, our 1st quarter FY 1985 estimates have proven to be understated substantially. Second, our projections were made before the Trade and Tariff Act of 1984 was enacted, so any increases resulting from this legislation were not included in our projections. As an example of this, the Trade and Tariff Act of 1984 requires the President to conduct an extensive review of the Generalized System of Preferences (GSP) by January 1987. As part of this review the Commission will be required to conduct an investigation with respect to all articles in the GSP. This will be the largest and most detailed "probable economic effects" type of investigation the Commission has conducted since 1975 when such advice was prepared for the Multilateral Trade Negotiations. Also, assistance in providing advice in negotiations will increase significantly if the major trading nations decide to embark on the new round of trade negotiations called for by the President in his State of the Union address.

Of course, our work consists of more than just import relief investigations. Another important responsibility we have is to prepare fact-finding reports and analyses for use by Congress and the President in the development of U.S. trade policy. Much of this work is conducted under section 332 of the Tariff Act of 1930. Studies under section 332 are usually requested by our oversight committees or by the President. In addition we try to anticipate the needs of trade policymakers by self-initiating 332 studies; for example, we have underway an assessment of the U.S. commuter and business aircraft industries. Due to the current work being performed on a self-initiated study of the Internationalization of the Automobile Industry and Its Effects on the U.S. Automobile Industry, the Commission had the basis for a quick and meaningful response to congressional inquiries on voluntary restraint agreements. Because our research is so closely tied to the policy process, we view this as one of our most important functions.

We are increasingly involved in preparing background studies on sensitive and controversial issues. For example, at the request of the Ways and Means Committee, we recently completed a three-phase study on foreign industrial targeting, and we have underway a study on the effects of certain foreign natural resources pricing policies on U.S. industries. We have also conducted studies on convict labor imports to the U.S., foreign trade zones, and product counterfeiting by foreign producers. During FY 1984 the Commission had 48 active studies. Through the 1st quarter of FY 1985 the Commission instituted nine new studies, compared to four last year. Seven of the new studies are direct requests of the President or the Committees on Ways and Means and Finance.

Section 332 also keeps us very involved in studying emerging issues and industries. As the service sector assumes a higher profile in trade debates, we expect more requests like the one we recently received from the U.S. Trade Representative's Office, in which we were asked to study competition between the air cargo and surface transportation industries in Japan and the U.S. This report will be used to assist the U.S. in current negotiations with the Japanese on this subject. Also, we have self-initiated a study on current developments in barter and countertrade. A number of emerging industries have been the subject of recent studies, including the biotechnology, robotics and telecommunications industries. The Commission is often called upon to provide assessments of the probable economic effects of possible trade agreements. For example, last year we studied the U.S.-Israeli free trade proposal and the proposed duty elimination of semiconductor tariffs, and we have recently completed an investigation on the probable economic effects of sectoral free trade with Canada. In addition, the Multifiber Arrangement, which governs world textile and apparel trade, expires in 1986. We have two studies underway, one on emerging textile-exporting countries and one on the MFA itself, which also should be useful in consideration of what to do in 1986. Parenthetically, this deadline could possibly generate more textile cases at the Commission.

Many of the section 332 studies focus on the competitive conditions of a specific industry that may need help in devising a strategy to meet foreign competition. Recently completed studies have covered industries that produce fabricated structural steel, household furniture, industrial molds, sheet vinyl flooring, and hand tools. Recent statements by Administration officials involved in the international trade arena cause me to believe that our resources in the 332 area, in data gathering responsibilities, and general technical support will be stretched to the limit by requests for assistance from other trade-related government agencies.

To round out a description of the full range of the ITC's activities requires mentioning the continuing role the Commission is playing in the conversion to the Harmonized System, and the listing of periodic reports on several commodities, including motor vehicles, footwear, steel, rum, and mushrooms.

The ITC recently received a USTR request under 332 to monitor the performance of the steel industry as part of the Administration's program to limit steel imports. We will monitor and report annually on competitive conditions in the steel industry and the industry's efforts to adjust and modernize. Information on employment, profitability, capital investment, and other items would be collected on 21 different steel product categories. In addition, we provide our oversight committees numerous reports on proposed legislation to be used as background material for committee consideration of these bills. During FY 1984 we provided assistance on over 120 pieces of legislation.

Our independence, analytical expertise, and data-gathering ability will continue to attract requests for timely reports on current trade issues. This creates a continuing need to create and maintain expertise in new areas in order to keep up with developments in international trade. Congress also gave us a new function last year. In conformance with the Trade and Tariff Act of 1984, we recently established the Trade Remedy Assistance Center. This Center will provide one central location in the Federal government for obtaining information on the major trade remedy statutes. In addition it will provide technical assistance to those small businesses that would like to file cases at the ITC but cannot afford to do so. The workload implications of this function must still be measured.

Please note that the Commission's budget request includes no funds for the relocation of our activities to a single location in downtown Washington. Last year Congress passed and the President signed legislation that transfers our current building, where most of the staff works, to the Smithsonian Institution when a suitable location for us has been found.

Internally the Commission has taken several measures to prepare for our move, but little more can be done until a site is selected. I have been working with the General Services Administration to prepare an advertisement for our space needs. I expect the solicitation to take place this Spring, and hopefully a site can be selected this Summer. At the time the budget was prepared there was much uncertainty regarding our move, so a request for relocation funds would have been premature. Once a firmer schedule for our move has been set, the Commission will be in a better position to predict our costs. At that time, the Commission will likely come back to you with a request for additional funding.

I would like to conclude on a personal note. I have been a Commissioner for six and a half years. I have personally witnessed the impact of the Trade Act of 1974, the Trade Agreements Act of 1979 and the advent of the Trade and Tariff Act of 1984 on the ITC's operations as well as the enormous growth of our workload to its current crescendo. My position at the Commission has allowed me to observe first-hand the internationalization of the U.S. economy and to appreciate the heightened importance of our work. I credit the Commission's staff for maintaining, in the face of these changes, the high standards of quality and objectivity that Congress expects us to meet.

Few agencies are experiencing such disproportionate growth in responsibilities relative to their size. Our work increases when American industry is feeling injured. In effect, we provide a safety net for American business when times are tough in trade, much as unemployment compensation helps tide over workers buffeted by economic vicissitudes. The current trade problems are exerting tremendous pressure on all of us but we are confident that, with the support of Congress, the Commission can meet the challenge.

In submitting the Commission's budget request for fiscal year 1986, I firmly believe we'll need every penny of it if we are to serve our objectives as defined by Congress.

Mr. Arnold and I will be pleased to answer any questions you may have. Thank you.

BUDGET INCREASE REQUESTED

Senator LAXALT. Thank you, Doctor.

As I understand from reading your statement and from reading some of the other materials here, you have a total request of 28.9, roughly.

Chairwoman STERN. That is correct.

Senator LAXALT. Or almost 29.

That represents 482 full-time permanent positions.

Chairwoman STERN. That is correct.

Senator LAXALT. Okay. You are now asking us to authorize roughly $3.5 million over fiscal 1985?

Chairwoman STERN. That is at the same level for——

Senator LAXALT. On positions?

Chairwoman STERN. Yes, sir. We did not have the full money in fiscal year 1985.

Senator LAXALT. That is why you are coming in on the supplemental; is that it? Does this represent the funding level total of 1985 plus supplemental?

Chairwoman STERN. This is not a supplemental.

Senator LAXALT. No, I mean the level we have before us?

Mr. ARNOLD. Yes. The pay raise supplemental, you are talking about that?

Senator LAXALT. Yes. You are talking about the same funding level, you are tying it to.

Mr. ARNOLD. It is the same base level right through.

Senator LAXALT. All right. You say here in your justification that half of the increase, $1.8 million, is paying salaries to increasingly professional staff, same positions. Are you talking about salary increases?

Chairwoman STERN. We are talking about the fact that the people who do our investigations and who appeal and defend our cases once we make decisions in the courts need to be more professional. We are talking about not hiring people at the entry level and training them once they get to the Commission. We are having to hire people who have higher educations. We are having to hire people who have more experience when they come in. In addition, because of the fact that we can automate more, we don't have to have as many clerks and secretaries, and so that our ratio of professionals to clerical, for example, is increasing, and that means increasing funds.

Senator LAXALT. So while you are maintaining the overall level, what you are telling me essentially is you are going to change the mix.

Chairwoman STERN. That is correct.

Senator LAXALT. You have no problem with that. But that is, in turn, going to cost us more money, too, because you are going to bring a lot more people in at higher levels, and that may be justified, as well; I don't know.

Chairwoman STERN. As you know, international trade is a hot area. It is hard to retain people. So there is competition, again, for those same folks.

Senator LAXALT. In holding these people?

Chairwoman STERN. That is right.

Senator LAXALT. Why is that? Because there is exposure there?

Chairwoman STERN. Knocking at the door all the time, and saying, "That is a fantastic attorney. She is just terrific for our job."

Senator LAXALT. Talking about the private sector. We are all going through that.

Chairwoman STERN. We lose them to the Department of Commerce, we lose them to the USTR. You know it. We lose them to Congress as well as to the private sector.

WORKLOAD INCREASES

Senator LAXALT. Sure. We will certainly take this into very serious consideration. We know you present a unique case, and we will discuss this with the members of the subcommittee on the numbers area.

Tell me as a matter of policy, now, your volume has increased, and you are going to continue, I suppose, being the court of last resort for an awful lot of our beleaguered industries when it comes to international trade policy. Do you think you are getting a better handle on the problem overall? Is it just becoming more confused and more difficult?

Chairwoman STERN. Senator, we are dealing with petitions regarding unfair imports as well as imports which are coming in perfectly fairly, but which are just swamping the industry because of the dollar and cheaper wages overseas. In addition, we are dealing with patent, trademark and copyright infringing imports. That is our basic meat and potatoes work. The issues are the same. The industries change.

We are dealing with more high-tech industries than we used to see. We are not just dealing with the industries where it is highly labor intensive, so that we see the entire gamut of the U.S. economy.

I think we have a handle on it. What we can't catch on to is the workload that is increasing on us.

VOLUME OF COMPLAINTS PROCESSED

Senator LAXALT. The volume?

Chairwoman STERN. The volume is dramatic.

Senator LAXALT. How much have you got? Give me a frame of reference. How many complaints, is that the term?

Chairwoman STERN. Sure. That is exactly the term.

Senator LAXALT. How many complaints did you process, say, claims in 1983?

Chairwoman STERN. In 1983, we had 266 cases. That included a packaging of some of the steel cases.

Senator LAXALT. This includes the trademark work, all this?

Chairwoman STERN. Absolutely, it includes trademarks, patents and copyrights, as well as dumping and escape clause cases such as the auto cases and the carbon steel and copper cases, for example.

In 1984, it went up to 280. We are estimating—we had estimated when we gave you our request that it would go up to 313 in fiscal year

1985. However, looking at the first quarter data that we have already gotten, we see we are way off. It is already up to 360 cases.

Senator LAXALT. Is there any real relationship between the volume of cases and the amount of money you need from us?

Chairwoman STERN. Absolutely. Because most of our work——

Senator LAXALT. The direct relationship. We talk about people, obviously?

Chairwoman STERN. Absolutely. We have a team that has to be assigned for every case, to go out, investigate; they gather the data, the profits, employment, capacity utilization, we have to then have a hearing where we have both sides come in and argue. We have attorneys who make sure the record is full and complete. Every Commissioner has to vote on every case. We have to write opinions on every case. We have to print our reports. That means more printing material. We have to have a documents room that deals with all of this material that is coming in. And it looks like the figures are increasing. More than just the cases we get, we have to go in on appeal in more than half of those. And that is heading up beyond 60 percent.

So that means our attorneys have to get tied up in court doing that. It is dramatic.

Senator LAXALT. How many of these people are attorneys?

Chairwoman STERN. We have a small group in our General Counsel's Office—about 20.

We have attorneys also in what we call our Office of Unfair Import Investigations, which deals with the patents, copyrights and trademarks, and I would say approximately we have about 20 there, as well. Then we have attorneys scattered in other areas, such as with the Administrative Law Judges.

Senator LAXALT. Are these people all here in town?

Chairwoman STERN. Yes, sir, we are totally consolidated.

Senator LAXALT. You don't have any office anywhere?

Chairwoman STERN. We sometimes travel to an area if most of the domestic producers and the importers are there, and we might have a hearing. It is rare. Again because of our case load, we don't have the time to travel. We are lean, we are modest and we are overwhelmed.

$29 million doesn't sound like much, but a difference of a million dollars——

Senator LAXALT. It can make a big difference.

Chairwoman STERN. It is dramatic.

Senator LAXALT. It can make a big difference, there is no doubt about that. What else have we got here?

POLICY QUESTIONS

Does counsel have any questions? John?

Mr. SHANK. No, sir. We can submit those for the record.

Senator LAXALT. We can? All right.

I am tempted to get into some of the policy areas we discussed with the Secretary.

Chairwoman STERN. Go right ahead.

Senator LAXALT. But your time is out.

Chairwoman STERN. I understand.

Senator LAXALT. And I am sorry about that. I am also sorry about Senator Bumpers who wanted to come back. Where is he, do you know?

Mr. MAYO. I have no idea.

Senator LAXALT. Has he been detained?

Mr. MAYO. I guess so.

Chairwoman STERN. We will be happy to answer any of his questions.

Mr. MAYO. We will submit questions in writing.

Senator LAXALT. If he feels it is necessary, there is nothing to preclude it, if it is all right with you, to have you come back up.

Chairwoman STERN. We would be happy to do that. Either way.

Senator LAXALT. All right.

IMPORTED FOOTWEAR

Chairwoman STERN. I know he made some comments about the footwear cases. Back in 1980, we very definitely did recommend to the President that import relief continue against Taiwan and Korea, and——

Mr. MAYO. In 1984 you did not.

Chairwoman STERN. Did not, and we have an investigation going on in that area.

Senator LAXALT. I thank you for coming in and thank you for your presentation. I think that the last couple of hours reflects the core of the problem. International trade is the core of our problem. This is going to tear this country up. This is the area where we are going to have trouble, even with our allies, traditional allies like Japan.

Chairwoman STERN. We cannot control the macroeconomic policies, but we are getting industrial and agricultural victims of the high dollar, the high interest rates buoyed by the deficit budget, et cetera. We are dealing with the micro victims. We have a legal framework at the ITC so that when companies based in nations who are our allies get hauled into the ITC because they have been dumping, shipping things that are creating damage to the industries, we can say, "You are getting a fair review under our law of what the impact of those imports are on our domestic industry." So that they cannot complain that we are arbitrarily just closing the doors. It may be the policy that we will close the doors, but until that policy comes around concerning your point about our allies and our relationship with our allies, we can say, "This is the way the Congress told us to handle this." It is open, it is transparent; we have to write our views.

"You are injuring the industry. You can come in, but you have to pay a duty if you are going to dump, and that is the dumping duty." That is what we are there to be able to say.

Senator LAXALT. I think it is good that you do that and of course it is good to have a mechanism which allows our own people to come in and vent some steam. That is terribly important. I have been constantly amazed during the last couple of years over the number of people grieved by these policies and actions. We have had ski problems, water bed problems.

Chairwoman STERN. We do have——

Senator LAXALT. It shakes my head, these profound problems we deal with, and some poor guy is out there dealing in water beds. He is getting murdered because of international policies and problems.

Chairwoman STERN. We have had the water beds.

Senator LAXALT. Well, we will close on that very positive note.

[Laughter.]

SUBMITTED QUESTIONS

Senator LAXALT. The subcomittee has additional questions which we will submit for your response.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR LAXALT

1. QUESTION

As you know, we are looking at some form of a budget freeze this year. The requested increase of $3.5 million for the ITC is nearly 14% higher than 1985 funding.

—Do you believe the Commission can live with a budget freeze in 1986, with modest increases for inflation in 1987 and 1988?

RESPONSE:

It would not be possible for the Commission to live with a budget freeze for FY 1986 and at the same time maintain full staffing in order to continue to meet its statutory responsibilities. As I stated before the subcommittee, few agencies are experiencing such disproportionate growth in responsibilities relative to their size as is the Commission. The pressures on the Commission's resources continue to build as our workload continues to increase.

The requested funding level is necessary to provide the staff and other resources needed to meet this expanding workload. In the FY 1984 supplemental and for FY 1985 the Congress authorized 44 additional full-time permanent positions, and funded 22. The full effect of these actions will reach fruition in FY 1986, and we will face it in several ways. First, the Commission's percentage of professionals to clericals is changing from 68% in FY 1984 to 75% in FY 1986, as most new hires are professionals. The clerical staff at the same time is becoming relatively more productive, due in significant measure to acquition of office automation equipment. Second, a significantly larger portion of the staff now are in professional "career-ladder" positions. Funds must be available to promote deserving employees who have achieved the skills and expertise to perform well, in order for the Commission to retain them.

These items together translate into an increase in the grade point average (GPA) from 10.1 in FY 1983 to 10.3 in FY 1984. The GPA of the Commission is projected to reach between 10.5 and 10.6 by the end of FY 1985. In FY 1986, the average will be 10.8 by year-end, reflecting the first year of full staffing in all the professional positions. Some $1,990,000 of the FY 1986 budget increase request is for salaries and benefits. Of that, $1,350,000 pays for the increasing "professional" complexion of the Commission (as shown in the grade point average), and the balance, $640,000, pays for annualization of both the January 1985 pay increase and full staffing workyears, as well as increased employee benefits (such as FICA, Civil Service Retirement, Life Insurance, and so forth).

The increasing workload support costs related to a higher staff level and inflationary pressures, over which we do not have control, account for the balance of the FY 1986 budget increase requested. These include increased rent charges, increased travel and printing requirements, increased costs for guard services, telecommunications and postage, and equipment repair and maintenance.

If our workload continues to increase as it has in the recent past we may be forced to come to the Congress for additional funding in 1987 and 1988. However, before taking such a step, we will continue to implement as many efficiencies as we can identify.

2. QUESTION

Last year, the Commission requested funds to move from its present building, which is intended to be used by the Smithsonian Institution. No relocation funds are included in this year's request.

—Does this mean you are not pursuing plans to move Commission personnel in the near future?

RESPONSE:

We expect the General Services Administration (GSA) to be advertising for 170,000 square feet of occupiable space in a leased building this spring with the possibility of having a building selected for the ITC sometime this summer. The building selected may already be built or will need to be constructed to fit our special needs. Depending on the extent of the work needed to prepare the space for Commission operations we would physically relocate within 12 to 18 months of the building's selection, provided the building is already constructed. Most of the costs for relocating will have to be incurred prior to our moving to the new location. We are currently working with GSA to determine who will be obligated to pay for these costs. Because this is a forced relocation, we expect GSA to pay for some of the expenses, but ITC will have to pay for much of the costs associated with our special facilities such as hearing rooms, libraries, printing plant and a computer room. If it appears within the next few months that a selection of a site is possible for ITC by this summer, we will submit an amendment to the FY 1986 budget request to cover the Commission's portion of relocation costs.

Public Law 98-523 (October 19, 1984), which transfers the ITC Building at 701 E Street, N.W., to the Smithsonian Institution directs the General Services Administration to "relocate all operations of the United States International Trade Commission to a building in downtown Washington, District of Columbia" at the earliest practicable date. We have requested the General Services Administration to advertise for space for our operations within the following boundaries:

> Within an area of Northwest Washington, D.C. bounded by: 15th Street on the West; L Street over to Massachusetts Avenue over to North Capitol Street on the North; North and South Capitol Streets on the East; and, the Southwest Freeway on the South.

A downtown Washington, D.C. location is essential to our operations because the USITC not only works with Executive Branch agencies, but also with the Congress. In fact, the House Ways and Means and Senate Finance Committees often direct the USITC to perform specific studies for their use. As a result, Commission staff spends a great deal of time in meetings at the offices of these committees. Equally important is the need for the Commission to be readily accessible to the many witnesses, American and foreign, who appear before us at hearings, and to the public who inspect our case documents and use our international trade information libraries. Members of Congress also frequently testify at Commission hearings.

3. **QUESTION**

For Fiscal year 1985, the Commission was granted an increase of 44 positions by the Congress.

—Have these positions been filled, and in what areas of activity are they concentrated?

RESPONSE:

These 44 new positions were intended to support the Commission's activities under sections 332, 337, 701, and 731 of the Tariff Act of 1930, section 201 and 203 of the Trade Act of 1974, and section 22 of the Agricultural Adjustment Act. The exact allocations depended upon the industry petitions because the Commission shifts resources depending on the mix of its workload.

Some 40 of the 44 new positions have been filled and are working on the higher caseload the Commission now routinely deals with. These new positions mainly professionals in GS-11 through GS-16 range, include: additional Administrative Law Judges and attorneys to cover an increased number of 337 cases; additional investigators to cope with the increasing case load;

additional financial analysts to help our investigative units provide more in-depth analysis and more meaningful reports; additional international economists to maintain adequate coverage of foreign economic developments, trade actions and trade policies; and additional international trade analysts for the increased demands in 332 investigations from both Congress and the President.

These 44 positions took on even more importance as the Commission attempted to achieve full staffing to reduce areas of overwork. In past years the Commission has maintained a traditional 8% - 10% lapse or vacancy rate in its staffing levels leaving a gap between authorized positions and full-time permanents on board. This is no longer acceptable as the skyrocketing caseload at the Commission has now become a routine occurrence. For example, the section 337 caseload increased by 72% between FY 1981 and FY 1984; antidumping and countervailing duty cases increased by 169% between FY 1981 and FY 1984; and investigations and research studies under section 332 increased by 60% during that same period. The numbers are dramatic but they don't portray the increase in complexity accompanying the increase in quantity of ITC's caseload. The Commission intensified its recruitment activities to eliminate the lapse rate and assure that resources were available to meet its statutory responsibilities.

4. QUESTION:

The Commission budget submission indicates a 48% increase in non-personnel related costs from 1984 through 1986.

—What are the reasons for this increase?

RESPONSE:

Over 70% or $20,944,000 of the Commission's FY 1986 budget is for personnel salaries and benefits. The balance of the budget — the non-personnel costs — amount to $7,957,000 an increase of 48% or $2,583,000 since FY 1984. Some 31% or $802,000 of the increase is for rental of office and related space. This has increased due to the acquisition of additional space at the ICC Building to house our ALJ operations, at the Bicentennial Building to house the additional positions approved by this committee last year, and from rate increases at our main building. Some 19% or $485,000 is for telephone, postage and equipment rental. This has increased as a result of staff increases and price increases in telephone and postal services. Some 37% or $968,000 is in the Other Services category and includes increases for such items as TSUSA photocomposition, stenographic reporting services, employee training, equipment maintenance, building maintenance, and building guard services, all of which are essential to the operation of the Commission. The other 13% or $328,000 is the net increase for the remaining expenditure categories.

5. QUESTION:

What was the vote of the Commission in approving this year's budget request? Was an alternative budget proposed and debated? If so, how did it differ from the budget adopted by the Commission?

RESPONSE:

As a result of the Commission's budget process for FY 1986 the agency's managers requested 514 positions, an increase of 32. The senior managers reviewed these requests and recommended that 19 be funded. This is the first time our senior managers have requested an increase in positions. After review of these requests I proposed to the full Commission that 501 positions, an increase of 19, and a total budget of $29,901,000 is required to meet the

Commission's needs. The additional 19 positions were for the most critical areas to meet our continuing workload increases and for support of those areas. The Commission as a whole, voted 3-2 not to request additional positions. In addition to maintaining the current staffing level by not allowing the 19 position increase, the Commission majority further reduced support service costs by an additional $200,000. They included; adjunct staffing ($40,000); travel ($40,000); communications and equipment rental ($40,000); supplies and materials ($40,000); and equipment ($40,000). I had already reduced $150,000 from the managers' request.

The 19 positions recommended to the Commission were as follows:

- two positions in the Office of the Secretary to provide adequate resources with which to meet increasing docket requirements;
- one position in the Office of Executive and International Liaison to meet increasing demands of the Trade Policy Staff Committee;
- three positions in the Office of the General Counsel due to the growing workload, its impact on the office's ability to provide quality advice to the Commission, and to meet expanding litigation requirements;
- three positions in the Office of the Administrative Law Judges to assure fair adjudication of section 337 investigations within the statutory framework;
- one position in the Office of Investigations to meet the increasing workload;
- two positions in the Office of Economics for expanded input into investigations and research studies and expand the economic input in other Commission activities to improve the analytical foundation of our products;
- one position in the Office of Tariff Affairs and Trade Agreements to support increased activities in the Harmonized System, Article XXVIII GATT negotiations, and trade agreements programs;
- two positions in the Office of Data Systems to meet new and expanding requirments;
- one position in the Office of Personnel to operate our own personnel management information system and increase support to the EEO program;
- one position in the Office of Finance and Budget to meet the increasing requirements due to increasing staff throughout the Commission; and
- two positions in the Office of Management Services to meet increased services requirements resulting from our growing workload, staff and office automation technology.

6. QUESTION

Does the ITC have additional responsibilities as a result of the passage by Congress of the Trade and Tariff Act of 1984? If so, does the budget, as submitted provide the necessary resources to meet these responsibilities?

RESPONSE:

The Commission's workload projections were made before the Trade and Tariff Act of 1984 was enacted, therefore, increases resulting from this legislation were not included in those projections. That Act affects our workload in three areas: demands for studies, new cases resulting from trade law changes, and new responsibilities for the ITC.

Several requests for studies will emerge from the Act. We have been asked to do five annual reports for the USTR on the performance of the U.S. steel industry. This will be used by the President in making the determinations required of him under Title VIII of the Act. We expect to be asked by the USTR to do a major study on the Generalized System of Preferences, as a result of the significant changes made in that program by the Act.

Also, we have underway a study on the appropriate tariff classification for catalytic naphthas and motor fuel blending stocks. This stems from one of the miscellaneous tariff bill issues in the Act. Finally, the Act contains new trade negotiating authority for the President. Thus, we may be asked to do several studies on the "probable economic effects" of proposal agreements similar to those we have done on proposals to eliminate U.S. duties on semiconductors and to create a free trade area with Israel and free trade sectors with Canada.

Changes in the trade relief statutes that we administer are also likely to increase our workload. Provisions of the Act, such as those dealing with the threat of material injury and the assessment of the cumulative impact of imports from more than one country, will likely lead to more cases. Similarly, some changes in the Commerce Department's proceedings, such as the upstream subsidies measure, can also increase our caseload even though the provision does not directly affect us. The extent to which our workload will increase will depend in large measure on the interpretation of these new provisions.

Finally, the Trade and Tariff Act gave the Commission a new function. In conformance with the Act, we recently established the Trade Remedy Assistance Center. This Center will provide one central location in the Federal government for obtaining information on the major trade remedy statutes. In addition it will provide technical assistance to those small businesses that would like to file cases at the ITC but cannot afford to do so. The workload implications of this function must still be measured.

7. QUESTION

What is the historical vacancy rate for staff positions at the Commission? Is this assumed in the FY 1986 budget request? If not, what reduction could be made consistent with this historical vacancy rate?

RESPONSE

In past years the Commission had maintained a traditional 8% - 10% lapse or vacancy rate in its staffing levels. This was changed as the skyrocketing caseload at the Commission has now become a routine occurance. For example, the section 337 caseload increased by 72% between FY 1981 and FY 1984; antidumping and countervailing duty cases increased by 169% between FY 1981 and FY 1984; and investigations and research studies under section 332 increased by 60% during that same period. The numbers are dramatic but they don't portray the increase in complexity accompanying the increase in quantity of ITC's caseload. The Commission intensified its recruitment activities to assure that resources were available for us to meet our statutory responsibilities. By May of 1984, before I became Chairwoman, we had 429 of the 438 authorized positions filled, a vacancy rate of only 2%. In August 1984, at the time the 44 new positions were authorized, the Commission had an on-board staffing level of 435 of the 438 authorized positions, a vacancy rate of less than 1%.

The Commission started recruiting for a majority of the new 44 positions in the Spring of 1984, the same time we were attempting to fully staff up. Congress in a supplemental bill authorized an additional 44 positions. However, that bill did not pass until August of 1984. The Commission therefore, could not offer positions to candidates as they were identified. As a result of the delay, the majority of candidates identified were no longer available when committments were extended in late FY 1984. Only during FY 1985 has the Commission been able to fill these 44 new positions. Though the Commission has filled all these new positions, some vacancies still remain due to normal turnover. Through the first four months of this fiscal year the Commission filled 27 additional staff positions but at the same time lost 14 of the existing staff to retirement and positions outside the agency. The Commission has 450 of the 482 authorized positions filled, 15 at the final stages of the selection process and 12 under active recruitment. Five remaining positions are being held for the vacant Commissioner and related staff appointments. We are currently authorizing overhires in areas of particular likelihood of employee burn out to relieve overwork and achieve better staffing management. In addition, in our effort to reach our authorized staffing level, we have been concerned not only with the time factor, but just as importantly with identifying highly qualified candidates.

With an increasing caseload in addition to new responsibilities placed on the Commission by the Trade and Tariff Act of 1984, we could not make reductions based on an historical vacancy rate and at the same time adequately meet our responsibilities under the strain of an continually expanding workload.

The Commission plans to be fully staffed before the end of FY 1985 and to maintain our staffing at the authorized level for FY 1986.

8. QUESTION

Does the budget submission assume a 5% reduction in pay for Federal employees, as proposed by the President? If not, why not?

RESPONSE

To maintain the Commission's fiscal independence the Congress removed us from Executive Budget review, and therefore the Commission's budget was not reduced by a 5% salary reduction. We realize that if Congress does reduce the general government salary rates we will reduce our budget request accordingly. However, if the salary rates are not reduced by Congress and had we sought a 5% salary reduction, the Commission would not have enough funds to support its current level of 482 authorized positions - a level authorized by Congress for FY 1985. A 5% cut would mean a cut of about 20 people, the equivalent of half of last year's authorized increase.

QUESTIONS SUBMITTED BY SENATOR LAXALT

1. QUESTION

As you know, we are looking at some form of a budget freeze this year. The requested increase of $3.5 million for the ITC is nearly 14% higher than 1985 funding.

--Do you believe the Commission can live with a budget freeze in 1986, with modest increases for inflation in 1987 and 1988?

RESPONSE:

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If our workload continues to increase as it has in the recent past we may be forced to come to the Congress for additional funding in 1987 and 1988. However, before taking such a step, we will continue to implement as many efficiencies as we can identify.

SUBCOMMITTEE RECESS

Senator **LAXALT**. Thank you all.

Chairwoman **STERN**. Thank you, Senator.

[Whereupon, at 11 a.m., Wednesday, March 20, the subcommittee was recessed, to reconvene Thursday, 9:30 a.m., March 21, 1985.]

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1986

THURSDAY, MARCH 21, 1985

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:35 a.m., in room S–146, the Capitol, Hon. Warren Rudman presiding.

Present: Senators Rudman, Specter, Bumpers, and Lautenberg.

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF THE U.S. TRADE REPRESENTATIVE

STATEMENT OF AMBASSADOR ROBERT E. LIGHTHIZER, DEPUTY U.S. TRADE REPRESENTATIVE

ACCOMPANIED BY:
- RICHARD IMUS, AMBASSADOR, CHIEF TEXTILE NEGOTIATOR
- WILLIAM J. MARONI, ASSISTANT U.S. TRADE REPRESENTATIVE FOR CONGRESSIONAL RELATIONS
- JOHN P. GIACOMINI, DIRECTOR, OFFICE OF MANAGEMENT

BUDGET REQUEST

Senator **RUDMAN**. The subcommittee will be in order.

Our first witness this morning is Robert Lighthizer, Deputy U.S. Trade Representative.

The budget request for the Office of the U.S. Trade Representative is $11,431,000 for fiscal year 1986, a decrease of $2,151,000 from the 1985 funding level.

You may summarize your testimony, Ambassador Lighthizer, if you like. The entire statement will be included in the record.

[The statement follows:]

PREPARED STATEMENT OF ROBERT E. LIGHTHIZER

DEPUTY U. S. TRADE REPRESENTATIVE

MR. CHAIRMAN, I AM PLEASED TO APPEAR BEFORE YOU TO PRESENT THE OFFICE OF THE U.S. TRADE REPRESENTATIVE'S RESOURCE REQUEST FOR FISCAL YEAR 1986. WITH ME IS THE ASSISTANT U.S. TRADE REPRESENTATIVE FOR CONGRESSIONAL RELATIONS, BILL MARONI, AND THE DIRECTOR OF OUR OFFICE OF MANAGEMENT, JOHN GIACOMINI.

THE PRESIDENT'S BUDGET AND THE RESOURCE REQUEST WHICH WE SUBMITTED TO YOU REFLECT THE PROGRAM FREEZE, 10% ADMINISTRATIVE COST REDUCTIONS AND A 6% PAY CUT THAT HAVE BEEN PROPOSED FOR MOST FEDERAL AGENCIES. DURING THE PAST FEW MONTHS, WE HAVE BEEN RECONSIDERING OUR ORGANIZATIONAL STRUCTURE IN AN EFFORT TO REALIGN OUR STAFF TO BETTER MEET OUR MANDATES, AND MAKE THE BEST USE OF PERSONNEL AND FUNDING. YOUR SUBCOMMITTEE HAS THE ORGANIZATION CHART WHICH REFLECTS THE CHANGES WE HAVE MADE.

LAST YEAR, WE REPORTED TO YOU ON THE PLANNING FOR THE IMPLEMENTATION OF THE HARMONIZED SYSTEM OR HS. THIS SYSTEM WILL PROVIDE A NEW INTERNATIONAL, INTEGRATED TARIFF STRUCTURE TO REPLACE THE CURRENT, BURDENSOME U.S. TARIFF CODE. THE USTR IS THE LEAD AGENCY FOR IMPLEMENTATION OF THE HS, NOW SCHEDULED TO GO INTO EFFECT IN JANUARY 1987.

THE HS IS A STREAMLINED, INTERNATIONAL PRODUCT CODING AND DESCRIPTION SYSTEM. IT WILL BE A USEFUL TOOL FOR MORE EFFICIENT HANDLING OF VARIOUS TYPES OF TRADE TRAFFIC, TARIFFS, AND FOR THE COLLECTION OF SATISTICAL DATA WHICH WILL DIRECTLY IMPACT IMPORTERS, EXPORTERS, TRAFFIC MANAGERS, AND CUSTOMS OFFICIALS THROUGHOUT THE WORLD. A COMMON CODE AND TARIFF LANGUAGE WILL GREATLY FACILITATE INTERNATIONAL TRADE BY ENSURING THAT PRODUCTS ARE CLASSIFIED IN THE SAME MANNER AS THEY MOVE FROM COUNTRY

TO COUNTRY, REDUCING THE COST OF EXPORTING FOR U.S. PRODUCERS, MAKING THE COLLECTION AND COMPARISON OF TRADE STATISTICS EASIER, AND PROMOTING MORE CERTAINTY AND UNDERSTANDING IN THE NEGOTIATION, APPLICATION, AND INTERPRETATION OF TRADE AGREEMENTS.

THIS IS AN ENORMOUS, COMPLEX UNDERTAKING WHICH IS LABOR AND DATA INTENSIVE. DURING THE PAST YEAR, WE HAVE MADE PROGRESS TOWARD OUR GOAL BY BEGINNING THE STAFFING FOR THE HARMONIZED SYSTEM IN GENEVA - THE CHIEF NEGOTIATOR FOR HS AND A SENIOR ATTACHE ARE NOW IN GENEVA; THE LINE-BY-LINE REVIEW OF THE ITC'S CONVERSION OF THE U.S. TARIFF SCHEDULES HAS BEEN COMPLETED. NEGOTIATIONS WITH THE CONTRACTING PARTIES CONTINUE IN GENEVA, UNDER THE AUSPICES OF THE GATT.

DURING 1985, WE WILL MOVE FORWARD ON THE RENEGOTIATION OF BOUND TARIFFS TO ASSURE THAT THE BALANCE OF TARIFF OBLIGATIONS IS MAINTAINED. THE GENEVA WORK PROGRAM HAS EVOLVED IN TWO PHASES. PHASE ONE WAS THE GATT ARTICLE 28 EXERCISE ON THE HARMONIZED SYSTEM AND WAS LAUNCHED IN A TWO WEEK SERIES OF BILATERAL MEETINGS IN GENEVA IN DECEMBER 1984. THIS PHASE CONSISTS OF TECHNICAL DISCUSSIONS AIMED AT IDENTIFYING CLASSIFICATION AND NOMENCLATURE ERRORS AND NARROWING THE NUMBER OF ISSUES WHERE NEGOTIATION WILL BE NECESSARY. WE EXPECT TO COMPLETE THIS PHASE BY MID-SUMMER. OVER THE AUGUST RECESS WE WILL BE ASSESSING THE EFFECT ON U.S. EXPORTS OF CHANGES IN RATES OF DUTY IN FOREIGN SCHEDULES AND WILL PREPARE FOR PHASE II OF THE HS EXERCISE, THAT IS, THE FORMAL ARTICLE 28 NEGOTIATIONS WHICH ARE EXPECTED TO BEGIN IN SEPTEMBER. OUR OBJECTIVE IS TO CONCLUDE THE NEGOTIATIONS BY DECEMBER 1985 SO THAT CONGRESSIONAL CONSIDERATION OF THE IMPLEMENTING LEGISLATION CAN BEGIN EARLY IN 1986. WE WILL BEGIN CLOSE CONSULTATIONS WITH CONGRESSIONAL COMMITTEES ON THE HARMONIZED SYSTEM IN THE NEAR FUTURE.

AS THE PRESIDENT INDICATED IN HIS STATE OF THE UNION MESSAGE, ANOTHER MAJOR U.S. TRADE POLICY OBJECTIVE IS TO LAUNCH A NEW ROUND OF MULTILATERAL TRADE NEGOTIATIONS IN 1986. WE BELIEVE THAT NEW NEGOTIATIONS ARE ESSENTIAL TO IMPLEMENT THE COMMITMENTS MADE TO ROLLBACK PROTECTIONIST MEASURES AT BOTH THE WILLIAMSBURG AND LONDON ECONOMIC SUMMITS. A NEW ROUND OF MULTILATERAL TRADE NEGOTIATIONS WOULD GREATLY CONTRIBUTE TO WORLDWIDE ECONOMIC RECOVERY BY EXPANDING TRADE OPPORTUNITIES, ADDRESSING SPECIFIC FORMS OF PROTECTIONISM, IMPROVING THE FUNCTIONING OF THE GATT, AND EXTENDING INTERNATIONAL TRADE RULES TO NEW AREAS SUCH AS SERVICES, INTELLECTURAL PROPERTY RIGHTS AND INVESTMENT, THAT ARE CRUCIAL TO THE FUTURE GROWTH OF WORLD TRADE.

WE WILL BE WORKING CLOSELY WITH MEMBERS OF THIS COMMITTEE, THE PRIVATE SECTOR AND THE LABOR COMMUNITY AS WE MOVE FORWARD WITH THIS CRITICAL INITIATIVE. WE CANNOT HOPE FOR INTERNATIONAL SUCCESS UNTIL WE HAVE A FIRM CONSTITUENCY HERE AT HOME FOR THIS UNDERTAKING. THE ADVICE WE WILL BE SOLICITING FROM ALL OF YOU IN THE COMING MONTHS WILL GUIDE US IN OUR DISCUSSIONS.

WHILE MUCH ATTENTION HAS BEEN PLACED ON OUR EFFORTS TO MOVE FORWARD WITH A NEW ROUND, THERE ARE A HOST OF BILATERAL DISCUSSIONS THAT ARE MOVING FORWARD WITH VARYING DEGREES OF SUCCESS. I WILL NOT TAKE YOUR TIME TO ENUMERATE THE STATUS OF ALL OUR BILATERAL ISSUES, BUT BRIEFLY MENTION A FEW AREAS THAT DESERVE HIGHLIGHTING.

AS YOU ARE AWARE THE 1984 TRADE ACT PASSED BY CONGRESS LAST SESSION GAVE US AUTHORITY TO BEGIN DISCUSSIONS WITH OUR LARGEST TRADING PARTNER AND CLOSE ALLY, CANADA. WE ARE HOPEFUL THAT WITHIN THE NEXT FEW MONTHS WE CAN BEGIN DISCUSSIONS WITH THE CANADIANS TO RESOLVE A NUMBER OF TRADE DISPUTES BETWEEN OUR TWO COUNTRIES TO OUR MUTUAL ADVANTAGE. AS YOU KNOW, THERE CURRENTLY EXIST ISSUES THAT NEED TO BE ADDRESSED. WE BEGAN TALKS ON FEBRUARY 26 ON THE TIMBER AND WOOD PRODUCTS SECTORS

AND THAT EXCHANGE OF INFORMATION WAS A POSITIVE START. WE ARE SCHEDULED TO MEET AGAIN DURING THE LAST WEEK OF MARCH.

ALSO, I AM HAPPY TO REPORT THAT PRESIDENT REAGAN AND CANADIAN PRIME MINISTER MULRONEY JUST CONCLUDED TWO DAYS OF FRUITFUL DISCUSSIONS ON WAYS TO REDUCE AND ELIMINATE IMPEDIMENTS TO CROSS-BORDER TRADE. JAMES KELLEHER, MINISTER OF INTERNATIONAL TRADE, AND AMBASSADOR BROCK HAVE BEEN INSTRUCTED TO ESTABLISH A BILATERAL MECHANISM AS A FOLLOW-UP TO THIS MEETING TO FACILITATE TRADE AND INVESTMENT FLOWS BETWEEN OUR TWO COUNTRIES. WE WILL REPORT TO THE PRESIDENT, THE PRIME MINISTER, AND THE CONGRESS ON OUR PROGRESS IN SIX MONTHS.

AMBASSADOR BROCK RECENTLY RETURNED FROM A TRIP TO JAPAN, AT WHICH TIME, WE COMPLETED THE JOINT DECLARATION ON THE SEMICONDUCTOR TARIFF ELIMINATION. DISCUSSIONS WERE HELD WITH PRIME MINISTER NAKASONE AND OTHER HIGH-RANKING OFFICIALS ON THE IMPORTANT SECTORS OF TELECOMMUNICATIONS, TIMBER AND WOOD PRODUCTS, AND COMPUTERS.

WE ARE USING EVERY MEANS POSSIBLE TO INCREASE PRODUCTIVITY AND MANAGERIAL EFFECTIVENESS WITH THE RESOURCES WE HAVE. FOR INSTANCE, TO SUPPLEMENT OUR PERMANENT STAFF AND TO HOLD DOWN COSTS, WE USE NONREIMBURSABLE DETAILS, WHITE HOUSE FELLOWS, AND PRESIDENTIAL MANAGEMENT INTERNS. WE ARE CONTINUING OUR SUCCESSFUL VOLUNTEER UNIVERSITY INTERN PROGRAM. THAT PROGRAM HAS GROWN RAPIDLY - WE NOW HAVE 45-50 INTERNS EACH YEAR OUT OF MORE THAN 300 APPLICANTS. THEY PROVIDE USEFUL RESEARCH AND STATISTICAL SUPPORT BESIDES GETTING AN INSIDE VIEW OF THE OPERATIONS OF A GOVERNMENT AGENCY. THIS PROGRAM ALONE SAVES US MORE THAN $100,000 EACH YEAR. ALSO, WE ARE CONTINUING TO EXERCISE TIGHT CONTROL OVER ALL EXPENDITURES AND ESPECIALLY FOR OVERTIME, TRAVEL, AND PROCUREMENT. WE HAVE ALSO COMPLIED WITH THE FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT OF 1982 BY SUBMITTING POSITIVE REPORTS TO THE PRESIDENT

AND TO THE CONGRESS ON INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS.

MR. CHAIRMAN, WE BELIEVE THAT OUR REQUEST REFLECTS BUDGET RESTRAINT. WE PLAN TO MEET OUR MANDATES THROUGH CONTINUOUS REVIEW OF OUR PRIORITIES AND UTILIZATION OF THE RESOURCES WHICH WE HAVE.

I WOULD BE PLEASED TO RESPOND TO YOUR QUESTIONS.

PROGRAM FREEZE

Senator RUDMAN. We are glad to welcome you here. Of course, we all worked with you when you were chief counsel of the Finance Committee from, I think, 1981 to 1983.

Ambassador LIGHTHIZER. Yes.

Thank you, Mr. Chairman. It is a pleasure to be here. I will, if I may, just briefly summarize my statement.

Senator RUDMAN. That is fine. The entire statement will be placed in the record.

Ambassador LIGHTHIZER. The President's budget and the resource request which we have submitted reflects the basic program freeze. As you have indicated, it is about a $2.1 million cut in our budget.

Essentially that involves a 10-percent reduction in administrative costs and the 6-percent pay cut on top of that.

My testimony identifies some of our major cost items, including the negotiation and completion of the harmonized system, which is a project underway in Geneva and which is a major expenditure item for us.

Also, in addition to our normal work, we have work associated with the launching of the new round of multilateral trade negotiations which the President mentioned in his State of the Union message. The preparatory work has been done, and the negotiations themselves will start in 1986. That will be a major expenditure item.

TRADE ISSUES WITH CANADA

As a result of the President's trip to Canada, there was an undertaking by the President and by the Prime Minister to have us work on an expedited basis with the Canadians in an effort to resolve the outstanding trade issues between our two countries. There was some discussion of negotiations leading to the elimination of barriers, authority for which was included in the 1984 Trade and Tariff Act which you passed last year.

Also, there are intensive negotiations going on right now with the Japanese, as you know.

We at USTR are taking every conceivable step to cut expenses. I think that this $2.1 million reduction is a substantial reduction. It is evidence of the fact that we are undertaking a variety of ways, which we can talk about, to cut costs and save money, basically through productivity increases and management efficiency increases.

That is my summary, Mr. Chairman. I would be happy to respond to questions.

Senator RUDMAN. Before going into some of the specific budget items, although we congratulate you on the substantial amount that is saved, I would rather talk about some of the substantive issues.

I know my colleague from New Jersey is very knowledgeable in some of these areas. I am sure he is going to have some questions for you.

FOOTWEAR MARKETS

Let me start off by asking you about the footwear situation. We discussed this last year. I understand that there has been some success in certain markets such as Korea and Brazil. But what about Japan? Has any headway been made with respect to export of American shoes there?

Ambassador LIGHTHIZER. This is something, as you know, Mr. Chairman, that we are working on. There has been some success with the Taiwanese, Koreans, and Brazilians.

It is a priority, let me say, to be perfectly honest, in our discussions with the Japanese. It is something that we have pursued.

At this point we really don't have any success that we can claim, although we feel that the Japanese understand the problem and there is a possibility of some progress being made before very long.

We have made progress in other areas, but we really haven't made much with the Japanese. It is something we are concerned about. It is something we continue to push them on. It is something you are interested in and have pushed us on over the years.

Senator RUDMAN. So essentially your answer is that although you are still working at it, there is really no progress to report with the Japanese in that particular area at this time.

Ambassador LIGHTHIZER. That is correct.

TELECOMMUNICATIONS AND COMPUTER SOFTWARE

Senator RUDMAN. How about the area, which I know my colleague is also interested in, of telecommunications and computer software. There has been some progress made. Can you give us the details?

If you can't do that today or if you prefer not to do that in open session, that is up to you.

Ambassador LIGHTHIZER. I can talk about it at least generally, Mr. Chairman.

We have singled out telecommunications as one of the four sectors where we have indicated to the Japanese very strongly that we expect progress to be made. We have had a number of meetings in that area.

We right now are not satisfied with the progress that we have made. There has been some progress. There have been some changes in a variety of the technical matters that we raised with the Japanese.

The four principles that we have outlined, which are: Eliminating discretionary authority in their statutes that will take effect April 1; eliminating technical standards in areas that actually harm the network over there; guaranteeing against discrimination between foreign and domestic suppliers; and more transparency, integrity, and independence of procedures in terms of their setting up their own regulations. Those are our four basic principles we want met and will help determine whether or not we succeeded.

At this point, it is the position of USTR that we really haven't made very much progress on those. It is a negotiation, as you know, that is ongoing, and we are still hopeful.

Senator LAUTENBERG. Interminable?

Ambassador LIGHTHIZER. I don't think in this case it is interminable. I think that there is a limit to how long because of the fact that they have a statute which becomes effective next month. There is a real deadline that may slip somewhat but can't slip on for months and months and months, like some of the negotiations we have had with the Japanese and some others.

REPEAL OF SECTION 7 OF CLAYTON ACT

Senator RUDMAN. I am sure we are going to come back to that, but I just want to hit a few issues fairly quickly. I want to talk about the Secretary of Commerce's recent position on Section 7 of the Clayton Act, which of course allows the Attorney General to block certain mergers because of competitive factors.

It is his belief, shared by others, that that needs to be repealed in order to recognize world markets and the necessity of strengthening certain United States areas of product development and marketing.

How do you feel about that? Do you or your agency have a position on repeal of section 7?

Ambassador LIGHTHIZER. We really do not have a position on it, Mr. Chairman. Our view, Ambassador Brock's view, has tended to be that increased mergers are basically beneficial to the United States.

So from that point of view, his general philosophy is not inconsistent with the Secretary of Commerce. But we do not have a view specifically on repeal of Section 7 of the Clayton Act.

Senator RUDMAN. Would you feel that it is probably valid to take the position that although you may look at certain factors under the guidelines of both the Clayton and the Sherman Acts in terms of how the courts have interpreted them over the years, and obviously they essentially apply to domestic analysis, that in fact those are very unrealistic when you look at American high tech companies in particular since they are dealing in world markets with companies that don't have those restrictions?

Ambassador LIGHTHIZER. I do agree with that. I think that the administration at least generally agrees with the way you stated the basic principle.

Indeed, although it wasn't a high tech case, in the merger case of LTV or Jones & Laughlin and Republic, our view was clearly that you have to consider imports and the effect on the world market in making a judgment as to whether or not this is excessive concentration. That was our position.

CHANGES IN MERGER GUIDELINES

You probably recall at the time that both Ambassador Brock and the Secretary of Commerce made public statements about it after we initially denied it. And the administration, as I say, generally shares that view, too, because we have made some changes in the merger guidelines. But under Paul McGrath they were changed, maybe 2 months ago.

Senator RUDMAN. Yes, we are aware of the change.

Ambassador LIGHTHIZER. Those changes tended to be consistent. They may not have gone as far as some people wanted to go, but they were consistent with this basic principle that you articulated and I think go as far as you can under the current statute.

So I think there is a general understanding, a general agreement between you and the administration, that we have to look at these world markets. We have to be more realistic in our interpretations of the statutes since we live in a changing world.

Senator RUDMAN. Some examples have been cited by Congress and others who have been concerned about this. You could theoretically develop a model, if you take eight major steel companies and then merge them into one, violating all of the indices that apply to antitrust orthodoxy in terms of the courts; yet, that same model might indicate that it would then grab back for the domestic market, in theory, maybe 50 or 60 percent of what they have lost, which of course is a great boon to the country. Then you have to assume that the competition may defeat the very purposes of what the Act is.

So the basic question is, are we going to allow market concentration of domestic companies that will violate all of our orthodoxy in terms of antitrust and depend on foreign competition to keep the market honest? I guess your answer to that question is that if it will create employment, and reduce predatory imports in particular, then you would be for it.

Ambassador LIGHTHIZER. I think that is correct. I don't know about an extreme example like that.

Senator RUDMAN. I purposely took the extreme example. But you would generally be for that.

Ambassador LIGHTHIZER. That is correct.

BUDGETARY MATTERS

Senator RUDMAN. Let's get to budgetary matters for a moment.

What areas of your operation are you going to reduce with the reduction of about $2 million? Staffing decreases?

Ambassador LIGHTHIZER. We do not believe we are going to have any decreases. We think that the cuts will come across the board. Obviously, there is a pay cut of 6 percent which we will have to absorb. We will cut down on contractors.

I have a breakout here. It does not involve staffing.

Senator RUDMAN. That basically was my question.

Mr. Giacomini. No permanent staff cuts will be made.

Senator RUDMAN. No permanent?

Mr. Giacomini. No permanent.

Senator RUDMAN. I probably will submit two or three other detailed questions on the budget itself for the record, and I will have several others specifically on the budget. But I will yield to my good friend from New Jersey.

Senator LAUTENBERG. Thank you, Mr. Chairman.

CURRENT BUDGET

Mr. Lighthizer, for my information, what is the budget as it presently stands before applying the new stringencies?

Ambassador LIGHTHIZER. $13.5 million, Senator.

Senator LAUTENBERG. The staffing I think we have.

Ambassador LIGHTHIZER. That is 136 permanent slots.

TELECOMMUNICATIONS

Senator LAUTENBERG. I am pleased to have the opportunity, Mr. Chairman, to review the activities of the USTR and the problem that all of us are concerned about, the merchandise trade deficit of $120-plus billion or in terms of the current account $102 billion.

We know what some of the problems are. Some of the problems that seem to be less discussed are the trade barriers and closed markets. You talked about some of the things you are working on. You talked about footwear and the industries in which we have to continue to provide leadership and excellence, telecommunications, and high tech.

As far as I am concerned, I think that we have an inadequate definition of the trade policy. I don't see a central strategy for developing and promoting our trade interests in this administration. Our trade negotiators are asked to perform like a fire brigade, a bucket here and a bucket there as the fires break out. That is not very satisfactory.

You know what the results in trade in telecommunications have been, what the results have been over the last couple years, having gone from a $200 million surplus in 1982 to a deficit in excess of a billion dollars in 1984. As our market opened up in this country we didn't at all get turn-about in terms of our dealings with other nations; the Japanese in particular.

I am trying very hard to get some results here. I am not as concerned with technicalities. You say matters have to be straightened out the first of April did you say?

Ambassador LIGHTHIZER. The Japanese are changing the structure of their telecommunications industry. The legislation makes that effective at that time, but that is not to say that can't slip. It will. But the point I was trying to make is this is not going to be one of those negotiations that goes on and on.

Senator **Lautenberg**. Right. Regardless of that date, we will have to continue to fight an uphill battle, in my view, to get them to understand our point of view.

Their procedure for the certification of equipment, you know what that does. I mean it enforces bureaucratic delay. It provides protectionism for their domestic industry. It limits their sourcing abilities and deprives our American companies of opportunities to compete in the market place.

Perhaps by reducing funding for the FCC's certification function, we will narrow the funnel so that applications for equipment sales and importation get moving at a pace to match the Japanese.

If I am not clear, what I am saying, Mr. Chairman, is that maybe if we make certification of imported equipment a part-time job, perhaps restricting the budget, we will get it narrow and make sure everything is reviewed in minute detail. Perhaps then our friends in Japan will understand that while we don't want to erect trade barriers, that the same game can be played whether the field is level or not.

INTELLECTUAL PROPERTY RIGHTS

We have to protect, as you know, our intellectual property rights and software is of special concern to me. The Japanese have conceded that copyright is an appropriate form of protection for software, and they dropped the proposal that would have denied copyright, as I mentioned yesterday in the hearing here.

I appeared in Japan at the Telecommunications Conference because I come out of the computer communications industry. We would respond, I said, very adamantly to any attempt to reduce the protection on software under copyright statutes. I didn't get any applause, but we did get some attention, even though some of the newspaper articles had to be translated.

Senator **Rudman**. If my friend would yield for a minute, I pay very close attention when I listen to the Senator from New Jersey, on this subject because he is very modest when he says he comes from the communications area. He is one of the founders of ADP.

Senator **Lautenberg**. I appreciate the recognition.

That company founded an industry that is called the computing industry that today employs in excess of a half million people.

SOFTWARE LICENSING BY JAPANESE

It now, Mr. Chairman, looks like in the next couple of years the computer industry, as contrasted to the hardware, is going to have a higher revenue than the hardware side. And the Japanese see this as an opportunity.

Believe me, I don't want to be too harsh. It wasn't a gesture of good will that persuaded them they ought not go ahead with the proposal to license software. But even though we have some assurance from them that they understand our concerns and our determination, we have other countries as well to deal with, Brazil included, on the copyright proposals on software.

I want to ask you a question. By the way, a point of interest. Mobil had in its paid ad today in The New York Times a comment. Did you see it?

Senator RUDMAN. I did not.

APPRAISAL OF CIVIL SERVICE PERSONNEL

Senator LAUTENBERG. Well, they raised the Grace Commission recommendation on expenses and so forth, but they said—and in a department like this, it is particularly significant—they asked the question about how we are going to continue to get good people to serve, people like Mr. Lighthizer and others, as we chip away at salaries and their opportunities.

That makes the point what we get is mediocrity as we continue to lower the incentive to come to work for the government. I was one of those people who liked to pick on government before I got here. Now, in a very serious vein, I see what people in government do to earn their living.

I will tell you that coming from a very tightly run company, we didn't get any better performance from people in the private sector. This is a company that has the best growth record, bar none, of any company in America for the last 24 years, over 10 percent a year in revenues and profit and we never got better performance than from people I see working here. Of course, present company excluded. [Laughter.]

Senator RUDMAN. On this side of the table. [Laughter.]

Senator LAUTENBERG. But the fact is, and I know that we have a problem paying for better salaries and so forth. But at some point these things become counterproductive.

I don't envy you having to advise people who have a commitment to a job that is professional and valuable that it is in their interest to continue to reduce their salaries. We don't have time, unfortunately, Mr. Chairman, to intellectualize about this. But when you propose the kind of reduction that you do, to cut salaries and other resources and so forth—the things that you need to get the job done—I have to ask you whether it was excessive before. Was there too much budget devoted to the function of the USTR?

Not fair, right?

Ambassador LIGHTHIZER. I don't think there was too much before, but I think we will be able to get along with less.

Senator LAUTENBERG. You already lost one major employee because he didn't like the job. [Laughter.]

Ambassador LIGHTHIZER. We decided not to fill that post. [Laughter.] That will save us several thousand dollars. We are keeping everybody else. [Laughter.]

Now, you raise a good question. Obviously, if we weren't in a situation where we had a budget deficit that is unbelievably large, we wouldn't be in here asking small agencies to make rather significant cuts. But the fact is given the overall budget problem, USTR can take on some of the burden.

Senator **Rudman**. I suggest that sometime between now and the time the subcommittee does its markup we will probably delve into it in more detail than we have in this hearing. I can tell you right now that when you look at the size of the trade deficit, which is absolutely staggering, and you look at the limited activity that this Government has toward assaulting that in a procedural way, and your agency to a large extent, and of course the Commerce Department, it seems to me that reducing that budget is like shutting off the power to the operating room about the time they start major surgery.

I mean it just doesn't seem to me like a couple million dollars ought to be taken out of this budget if in fact it can be used constructively. I expect that the staff will get into that issue and we will discuss it with the chairman and the ranking member and other members of the committee, because it seems to me that we maybe have just fought the first few skirmishes.

Senator **Lautenberg**. This is a big fire department and things are ablaze, and to start reducing the staff doesn't make sense.

Senator **Rudman**. We may have a full-scale war on our hands, because I will tell you, Ambassador Lighthizer, that the sentiment within the Congress at this point, particularly as far as Japan is concerned, is strong. As I told the Secretary yesterday, up where I come from, if you run into a brick wall 10 times and at the end of the tenth time you have a broken bone and a bloody nose and a black eye, the eleventh time you decide maybe you will go over it or around it.

Senator **Lautenberg**. We do that after two times. [Laughter.]

Senator **Rudman**. We are a little more persistent.

At any rate, we are going to go over or around the wall. The Japanese ought to recognize if they are not willing to make some firm commitments and some concessions, then you are going to find one of those nights when people are a little angry before the U.S. Senate, and you are familiar with those nights, someone is going to have an amendment in their pocket, and I have seen several, that are going to fly through. Then we are going to have a real problem.

So I would certainly hope that as far as the budget is concerned, I understand what you are doing and I understand the strictures on you and Ambassador Brock, but the fact is those restrictions aren't on us. There isn't a lot of money involved here when you are talking about $2 million.

So I hope we will have a chance, to use my friend's term, intellectualize in private on this at some future time.

NEW PERSONNEL OBJECTIVES

Senator **Lautenberg**. I wanted to ask in terms of the budgetary impact, you have new negotiating objectives for high tech and services and relatively new functions under the Trade Act last year, yet no additional resources. Is that realistic? How tight can you squeeze the sponge?

Ambassadon **Lighthizer**. I think it is realistic, Senator. It is really a question of using people more efficiently and having people concentrate on some things that they otherwise wouldn't have concentrated on.

These are new objectives. They are objectives that have been articulated by the Congress in the trade bill last year and things that we have felt strongly about for some time and have spent time on and have had resources allocated to in the past budgets. Services, intellectual property, are things that have been high on Ambassador Brock's agenda really since he came to the job. We have had people who have worked on these issues and they will continue to work on them without any lessened effort.

So while they are newly articulated in the statute and there will be some additional work in those areas, they are not wholly new objectives for us.

Senator LAUTENBERG. It is good to hear that people are going to be concentrating more narrowly on their jobs. I don't want to twist the phrase, but it has been said Ambassador Brock got upset because he was going to take a pay cut and he left. [Laughter.]

Ambassador LIGHTHIZER. I don't think he is going to make any more money in his new job. [Laughter.]

Senator LAUTENBERG. Secretary Baldrige was here yesterday and said well, we want to keep our job. If you lose your job, you get more pay. That is the strange world that we live in.

IMPORTS OF SMALL COMPUTERS BY SOUTH KOREA

Are you familiar with the South Korean attitude on the importation of personal computers, small computers?

Ambassador LIGHTHIZER. I am generally familiar with it.

Senator LAUTENBERG. As a matter of fact I think they have specific restrictions against importing personal computers, small systems. Is that true?

Ambassador LIGHTHIZER. As a matter of fact, that is true.

Senator LAUTENBERG. I know that was the case when we were there. I was there a year ago. Their response was that the reason we want to do that is they can build the independent industry.

Well, that is too bad. I mean one of the things that the chairman and I pointed out—almost a little delicately—is the reaction here among citizens of our country who just aren't going to understand the technicalities of these relationships. When farmers go down the tube and small business people see their resources cut out, and those who are dependent on the government for nutrition, for sustenance see that support reduced, the American people just aren't going to understand when we say well, they want to build their own industry and deny us the opportunity.

So it is a task that you have to be very diligent about. I hope by cutting resources we are not going to minimize or reduce it.

The harmonized system, this is an international data base?

Ambassador LIGHTHIZER. The idea, Senator, is an international rationalization of all of the tariff schedules, the technical categorization, so there won't be differences between countries in those relations.

DATA STORAGE

Senator LAUTENBERG. Where is the data going to be housed? Is it here?

Ambassador LIGHTHIZER. I am not entirely sure. Everyone will have the access.

Mr. GIACOMINI. Here and in Geneva and other countries.

Senator LAUTENBERG. How do we pay for the development of that, of our share of the system? It is a shared investment?

Mr. GIACOMINI. Yes, it is.

Ambassador LIGHTHIZER. It is a negotiation, if you will, to rationalize everybody's tariff system so they are the same. The cost for us is largely personnel costs. It runs through our budget. Just about every item there is some cost associated with this negotiation.

Senator LAUTENBERG. Is it an additional cost in the last year?

Mr. GIACOMINI. There is $1.5 million for the harmonized system, for fiscal year 1985.

Senator LAUTENBERG. What was it for the previous year?

Mr. GIACOMINI. About $550,000 for fiscal year 1984.

Senator LAUTENBERG. So the cost of those systems alone have run, within the budget we are talking about here, in excess of a million dollars?

Mr. GIACOMINI. Yes.

Senator LAUTENBERG. So that does not continue to cut at the very muscle of your organization. I mean here you have a new commitment that suddenly has expanded the responsibilities by a very significant number. So the cut that you are taking in terms of normal operation, unless there has been a lot of fat there, Mr. Ambassador, seems to me it is going to almost cripple this operation. Am I exaggerating?

Ambassador LIGHTHIZER. My feeling is that it is an exaggeration, that we can get along with the budget that the President has recommended.

Senator LAUTENBERG. There is lots of room? I mean everybody is just kind of sitting around?

Senator RUDMAN. I think Ambassador Lighthizer is between a rock and a hard place.

Senator LAUTENBERG. I know.

Senator RUDMAN. We will probably work this out at some point.

Senator LAUTENBERG. Okay, Mr. Chairman. I feel better knowing that. [Laughter] Because the fact of the matter is this function is so bloody important. I hate to see it falling to the hatchet when in fact we almost need more to do the job. This is such a critical area of concern for everybody. It is not party and not region. It is national.

Senator RUDMAN. We will only put two coats of paint instead of three on one of the MX missiles and we will have this $2 million. [Laughter]

Senator LAUTENBERG. As a matter of fact, that may be its best function. [Laughter]

INTELLECTUAL PROPERTY PROTECTION TO TRADE BARRIERS

One of my amendments to the trade bill last year added intellectual property protection to the trade barriers you are going to be addressing in the annual trade estimates. I understand you have begun to implement that. Can you tell us where it stands at this point?

Ambassador LIGHTHIZER. Sure. We have done a fair amount to implement Section 251 of the last act. We have formed an intellectual property subcommittee which is an interagency committee chaired by USTR that is going country by country in analyzing the intellectual property problems that we have. We have put out a Federal Register notice just a month or so ago informing the public of the existence of this subcommittee and asking them to give us the kind of advice that we need, the kind of input that we need to make those kinds of assessments.

I might say we are and have been for some time using all of our various negotiations as an opportunity to pursue intellectual property because it is something that USTR, Ambassador Brock, who used to be with USTR—[Laughter]—feels very strongly about. It was a top priority for him.

So those are the kinds of things we have been doing. And it is a top priority for us.

Senator LAUTENBERG. And the information will also be necessary, the information you are going to be gathering there, to implement the GSP provisions on intellectual property.

Ambassador LIGHTHIZER. Yes, sir.

ENFORCEMENT SANCTIONS

Senator LAUTENBERG. When do you expect to be ready to use sanctions in the enforcement?

Ambassador LIGHTHIZER. Within the GSP program?

Senator LAUTENBERG. Yes.

Ambassador LIGHTHIZER. We are probably several months away from that.

Senator LAUTENBERG. So then, with the strength of the department as it is going to be provided if this reduced budget is a fact, will you have the trade estimates finished on time?

Ambassador LIGHTHIZER. Yes. We expect to have our national trade estimates report—and we have a number of reports we are required to make as a result of the 1984 trade bill—we expect to have them all on time. We do not think that this budget will set back any of the reports that are required by my office.

Senator LAUTENBERG. So all of the new functions and the systems requirements and all that can be done within the reduced budget that is proposed.

Ambassador LIGHTHIZER. That is our belief, yes, Senator.

Senator LAUTENBERG. They just have lived high on the hog. [Laughter]

Thank you very much, Mr. Chairman.

Senator RUDMAN. Senator Specter, before we move on to the FTC, did you have any other questions for Mr. Lighthizer?

Senator SPECTER. Yes, Mr. Chairman, for just a moment or two.

It is nice to see you back, Mr. Lighthizer. We miss you on the Finance Committee.

Ambassador LIGHTHIZER. Thank you.

Senator SPECTER. Senator Dole moved away from the committee since he didn't have your assistance there. [Laughter]

Ambassador LIGHTHIZER. I wondered why he left.

STEEL IMPORTS

Senator SPECTER. I know the important work you have been doing around the world on the negotiations on the steel limitations. They are very promising. Yet, I am sure you have seen reports that steel imports seem to be rising despite that.

The basic issue is whether voluntary limitations will ever work.

I would like to comment very briefly about discussions that I have had with Ambassador Brock and others in the administration, including Treasury Secretary Baker and Commerce Secretary Baldrige, about the legislation which I have had pending for some time now to open up the Federal courts to grant injunctions to deal with subsidies and dumping, which in my judgment are the long-range best answer to provide self-help through the courts to try to get justice on these tremendous imports.

I would call your attention to the continuing problem. Yesterday we had a major rally in front of the Department of Labor. Apparently the steelworkers from Pennsylvania knew more about what was going to happen at the Department of Labor than any of the rest of us did because they were out there in force yesterday, a tremendous group, with real fury. We are removed from the problems in these detached, cool, well manicured hearing rooms.

But if you go out to Pennsylvania and the Monongahela Valley or Newcastle, which I must do with frequency, you see the terrible impact that steel imports have made. And you don't have to do that; all you have to do is go out to that rally yesterday and some very hard and ugly things were being said out there by a bunch of very, very desperate people.

I don't think we are doing what we should be doing with the time and sense of urgency that has to do with this. I know you have been working hard on the voluntary restraints. But it seems to me that we are going to be driven to quotas or domestic content, which many of us do not want to see happen, unless we find some effective answer.

I know you are here on short notice, substituting for Ambassador Brock. We are going to be bringing this legislation on conjunctive relief to the Cabinet Council trying to get some help from the administration and bringing it back to the Senate.

I don't want to belabor this any more. I have asked the question every time we have had a trade representative here. Senator Lautenberg has not had access to this particular piece of legislation. Senator Rudman has on many occasions.

TEXTILES

I would just ask you one question relating to textiles. What is doable now within existing law to bring some relief from the flooding of textile imports, which I understand violates a variety of things in U.S. laws which are in effect today.

Ambassador LIGHTHIZER. There is a so-called call procedure that exists, and that in fact has been used, and is being used now at the rate of about a hundred calls a year.

The administration is really concerned about this problem. It has used it in existing statutes more than ever before, we think about as much as we, can consistent with our international obligations. Although I understand there are certain Members in the Congress who don't agree we have gone far enough.

Senator SPECTER. What specifically could be done under existing law to limit textile imports? I didn't really understand you.

Ambassador LIGHTHIZER. We have a series of agreements with textile exporting countries around the world, whereby we set up specific quotas on textile products and provide a system that permits us to stop imports in cases where there are surges in uncovered products.

ENFORCEMENT PROBLEMS

Senator SPECTER. I hear many, many complaints about lack of enforcement of those agreements. Is that correct?

Ambassador LIGHTHIZER. Our position is we enforce the agreements to the extent that is possible. I have Dick Imus here, Senator, our textile negotiator.

Senator SPECTER. Could there be tougher enforcement of existing laws?

Mr. IMUS. My name for the record is Ambassador Richard Imus, Chief Textile Negotiator for the United States.

I believe, Senator, that we are utilizing and enforcing the system as strenuously as we possibly can. The key to the system is, as Ambassador Lighthizer said, a multilateral agreement and some 34 bilateral agreements.

Under these bilateral agreements we have undertaken certain obligations, certain methods which we have to proceed under by which to limit imports. In return for that, we get certain benefits.

For example, in applying textile quotas, we applied in this administration, some 300. We do not have to face the problem of retaliation like we do in other product areas. This is a benefit for us. It is unique to the textile area.

Senator SPECTER. Ambassador, I don't want to cut you short. We are running very short on time.

What I would like to do is pursue the specific complaints we have and call them to your attention, deal with the specifics, to see in a concrete context what the facts are as opposed to generalizations. That way we can save the subcommittee's time.

Ambassador Lighthizer. We would be happy to respond.

Senator Rudman. Why don't we simply have Senator Specter prepare such specifics as he wishes and have them answered as a part of this hearing record.

Senator Specter. I think what I would like to do, Mr. Chairman, is bring in the people who brought in the complaints, let them document them, and we will sit down, staff, with the Trade Representative's office and come to grips with the facts.

Senator Rudman. I would be happy to do that.

I would also raise the other issue, of course, that you grapple with, and that is the diversion, if you will, of certain finished items from country "A," that has a limit of $1 million. A total of $1 million comes directly here and $2 million goes to some island someplace where they sew a sleeve or pocket or emblem on and come under the quota. I understand the U.S. Customs Service is deluged with that kind of problem. Do you find this to be a problem?

Mr. Imus. That has been a problem and the Customs Service has increased its resources substantially. They have a special fraud program called Operation Tripwire.

Indeed, we have introduced new country of origin regulations to try to attack this problem that you mentioned.

Senator Rudman. I think the question Senator Specter raised is a double-barreled question. The first is if the laws are enforced as they are, what would that accomplish. Then you have the second problem of people deliberately and willfully trying to find ways of circumventing the law.

We have a manufacturer in New Jersey who brought this problem to my attention very vividly. Items coming from China were going to another location to have a label sewn in and then were transshipped and thus totally exceeded established quotas. So I think that is the kind of problem Senator Specter is concerned about as well.

Mr. Imus. As are we.

Senator Rudman. Anything else, Senator Lautenberg?

TELECOMMUNICATIONS

Senator Lautenberg. Just one very quick thing on telecommunications.

We tend to focus on Japan. Of course, that is the biggest, most obvious place that we are losing out. But we lose sight of some of the trade barriers in Europe in terms of telecommunications. Europe provides roughly 25 percent of the world's market in telecommunications. Their markets are more closed than Japan, by the way.

What is the department doing to open up the market in Europe?

Ambassador Lighthizer. We have a telecommunications negotiation group that meets with the Europeans also. It tends not to get as much focus, although the European market clearly is at least as closed, as you suggest, or maybe more closed than Japan's, but it tends not to get as much attention because they don't sell as much here. There is a perception I guess that if you have less, than you have somewhat less leverage.

But trying to go to uniform standards in Europe and internationally, in an attempt to get us additional access in Europe, is something we are working on. We just don't think we have quite as much leverage there. And Europe taken together is an enormous market. It is a market that in telecommunications is almost completely closed.

Senator LAUTENBERG. A Mercedes costs more than a small computer does. I just think there is leverage.

One of the things that concerned me, as the President reduced the restraints on automobile imports, that we didn't get something for it, with all the countries we do business with, in terms of look, we don't want to put up the barriers, but we sure don't want to, as Senator Rudman says, keep running into the brick wall.

We are less tolerant than some of the other States in New Jersey. Thank you very much.

Senator RUDMAN. Thank you very much, Ambassador.

Ambassador LIGHTHIZER. Thank you, Mr. Chairman.

SUBMITTED QUESTIONS

Senator RUDMAN. Before turning to the Federal Trade Commission, the committee has additional questions which we will submit for your response. They will be inserted at this point in the record.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR LAXALT

Will the reduction of $2.1 million in your budget result in a staffing decrease?

We do not anticipate any reduction of our permanent staff.

In what areas of your operations will reductions occur?

Reductions are scheduled in the areas of administration of approximately $1.6 million and salary reductions of approximately $500,000.

What are your supplemental pay requirements for the current fiscal year and how will you absorb them?

Our FY 1985 Pay increase costs are approximately $215,000 which will be absorbed within our regular appropriation.

Q. You currently have sectoral policy units for industry, investment, and agriculture responsible for the formulation of U.S. trade policy. How do they interact with the sectoral analysis program of the Department of Commerce, which has many of the same responsibilities?

A. Our sectoral unit for industrial affairs interacts very well with its counterpart in the Commerce Department. We have a small staff of policy analysts that are responsible for managing trade issues in virtually every industrial sector of our economy.

Because our staff is so small, we try to limit our mission only to trade policy formulation and negotiations. The Commerce Department has a much broader mission which includes export promotion, the administration of certain export and import programs, and analyzing the competitiveness of the industry.

Also, our analysts rely very heavily on the work done by their counterparts in the Commerce Department. Much of the detailed analysis of trade issues is done at Commerce. It is then used by our staff to provide the basis for forging a consensus within the Administration on a unified trade policy position. The Commerce Department provides invaluable assistance to international consultations and negotiations, as exemplified by its support for the voluntary restraint agreements negotiated under the President's steel program.

Section 303 of the Trade and Tariff Act of 1984 requires the U.S. Trade Representative to conduct a study and report annually to Congress on significant barriers to U.S. exports of goods, services, or foreign direct investment and any action taken to eliminate such barriers.

Q. (1) - Have you begun to work on the study this year, and when can we expect it?

A. - USTR began work on the Section 303 report in January of this year and is currently gathering information to be used in the report from its own records, from the information available to other USG agencies, and from some one thousand private sector advisers. We hope to complete the information-gathering phase of the report by mid-April. We will then analyze the information collected and make staff-level recommendations as to which foreign practices should be included in the report and the strategy we will adopt to deal with those practices. We expect this phase of the project to be concluded by mid-May. The staff-level recommendations will then be given to the USTR for his review and approval.

We had hoped to have the report ready for transmittal to the Congress by June 1 (even though the statutory deadline

We had hoped to have the report ready for transmittal to the Congress by June 1 (even though the statutory deadline

is October). Whether we will now meet this self-imposed deadline will depend on how soon a successor to Ambassador

Brock is named and how soon the new USTR will be able to take up his duties.

Q. (2) - Do you have the resources necessary to conduct the study this year?

A. - So far we have found that we have the resources necessary to conduct this study. We have asked each unit within the USTR to participate in the preparation of the report and for each unit to program its resources so that it will be able to make meaningful contributions to the report not only this year but on an annual basis. Moreover, the cooperation we have received from other agencies on this report has so far been outstanding.

USTR's efforts to negotiate bilateral investment treaties have constituted a recent U.S. government initiative. How successful have these been in addressing such investment problems as performance requirements, i.e., transference of majority equity and advanced technology and local content and export percentage requirements?

Since the inception of the bilateral investment treaty (BIT) program in early 1982, USTR has conducted treaty negotiations with some twenty countries. As a result of these negotiations, five treaties have been signed (i.e. Panama, Egypt, Haiti, Zaire, Senegal), two have been initialled and will soon be signed (i.e. Morocco, Cameroon), several are close to conclusion (i.e. Costa Rica, Turkey), and negotiations are well advanced on several others (.e.g. China, Malaysia).

The U.S. model treaty, which is the basis on which the treaties are negotiated, deals with performance requirements in two contexts -- in the provisions providing for national treatment on entry and operation and in those relating directly to trade-related performance requirements.

In all five of the treaties signed to date we have achieved national treatment on entry and operation (with specifically enumerated exceptions). The effect of this is that U.S. investors will be guaranteed majority ownership in all sectors of the economy of the treaty partner not specifically excepted in the treaty. Moreover, since U.S. investors will be treated no less favorably than domestic investors in the treaty partner, they will be subject to technology transfer requirements only to the extent their domestic counterparts are subject to such requirements. As for trade-related requirements (local content and export requirements), we have generally been unable to obtain the binding obligations of the prototype treaty. Rather, the provisions of the treaties are of a hortatory or "best efforts" nature. Most of our treaty partners (and indeed many of our private sector advisers) have argued that trade-related performance requirements are primarily a trade (and not an investment) issue that should be dealt with in the context of international trade disciplines, such as the GATT, or within the framework of one's own trading regime (e.g. Section 307 of the Omnibus Trade and Tariff Act of 1984).

Question: What is the role of USTR in defense trade issues arrising from offset and coproduction arrangements related to military sales and defense trade promotion?

Answer: Military equipment sales have traditionally been a large positive element in the U.S. trade accounts. Increased demands have been made by both our allies and third country governments for "offsets" to the purchase of U.S. arms. These demands for offsets, which have risen to levels equal to or greater than 100 percent of the value of the sale, frequently include requirements for local sourcing of components or coproduction of the military good. They also may include countertrade in civilian goods, investment in foreign military or civilian production facilities, and other forms of technology transfer. There is increased concern within the Administration, as well as by industry and the Congress, over the trade and investment distortions that may

result from these demands and their long-term impact on the U.S. industrial base.

In response to the "Vento Amendment" (Section 309 of the Amendments to the Defense Production Act of 1950 passed in April 1984), OMB is coordinating the preparation of a Presidential report to the Congress on the types and terms of military offsets and their impact on U.S. defense preparedness, industrial competitiveness, employment, and trade. The first report must be submitted in October of 1985. In addition, the legislation mandates that the report to Congress include "a discussion of bilateral and multilateral negotiations on offsets." USTR is responsible for this section of the report and any related negotiations.

What steps have been taken to date by USTR's Trade Policy Research Group to clarify the government's policy concerning commercial countertrade for U.S. exporters? Are such efforts continuing and how will your ultimate findings and conclusions be communicated to the nation's exporters?

USTR's work on countertrade dates back to January 1983 with the creation of a Trade Policy Staff Committee to develop a policy for the U.S. Government. In developing this policy, the interagency group reviewed the use of countertrade in market and non-market economies, the costs and benefits to the countries involved, the implications of countertrade for the GATT, the impact on U.S. business and the applicability of U.S. Trade laws. Countertrade practitioners and companies opposed to the practice were interviewed. Policy recommendations were designed to deal with the conflict between U.S. objectives of multilateralism and the practical necessities of aiding U.S. business interests faced with countertrade requirements.

In July 1983, the Trade Policy Review Group met to review the TPSC paper and recommendations. They agreed on the following points:

1. The U.S. Government generally views countertrade as contrary to an open, free trading system. However, as a matter of policy, the U.S. Government will not oppose U.S. companies' participation in countertrade arrangements unless such action could have a negative impact on national security.
2. The U.S. Government will provide advisory and market intelligence services to U.S. businesses including information on the application of U.S. trade laws to countertraded goods.
3. The U.S. Government will continue to review financing for projects containing countertrade/barter on a case by case basis, taking account of the distortions caused by these practices.
4. The U.S. Government will continue to oppose government mandated countertrade and will raise these concerns with the relevant governments.
5. The U.S. Government will participate in reviews of countertrade in the IMF, OECD and GATT.
6. The U.S. Government will exercise caution in the use of its barter authority reserving it for those situations which offer advantages not offered by conventional market operations.

Since the TPRG meeting, the TPSC subcommittee has met regularly, but there are no plans to change the TPRG conclusions.

Efforts to disseminate these findings have been intensive. Members of the interagency group meet regularly with exporters and bankers to review the policy. USTR, Commerce, Treasury, Agriculture and State officials have participated in numerous conferences held for exporters by government, private sector and press groups. Also, press coverage of the U.S. position on countertrade has been substantial including articles in major business magazines and books.

QUESTIONS SUBMITTED BY SENATOR HOLLINGS

Q. Mr. Ambassador, the Daily News Record for March 12, 1985 reported that the United States settled on 10 textile categories with the People's Republic of China. Is the report correct that the U.S. agreed to very high numbers, in some cases as high as 50% increases over the next 5 years? If so, why are we agreeing to import levels that far exceed any realistic projection of growth in domestic production, since that was the President's pledge while campaigning in 1980?

A. In any negotiation seeking mutual agreement, one expects levels above the base at which one starts. This was the case with our recent talks with China. However, if one looks at the settlement on all nine categories, while an increase was given above the minimums as provided for under our agreement with China, the negotiated quota levels represent a reduction of 26 percent from 1984 imports in the categories concerned. Also, the average annual growth rates for the quotas (1984-1987) is 3.3 percent, a rate below what was previously negotiated with China. Under the Multifiber Arrangement (MFA), the minimum growth rate is normally six percent.

As you know, a percent increase must be related to the base on which it is calculated to determine its importance to the market. Our general philosophy in dealing with Chinese textile trade has been to seek quotas sooner rather thn later, given China's ability to expand exports rapidly, in order to avoid market disruption.

To illustrate this point, consultations were requested with China on Category 317 (cotton twills and sateens) at 6.7 million square yards, or .7 percent of 1983 production (output of these products by U.S. industry increased in 1983 and the first 3 quarters of 1984). In percentage terms, this was the largest increase agreed to with China.

However, we also negotiated a sub-limit of 3.0 million square yards on the very sensitive sateens portion of this category. Thus, while we granted an increase from the minimum level under the agreement for the first year on Category 317 as a whole, we significantly decreased China's ability to ship cotton sateen fabric to the U.S.

QUESTIONS SUBMITTED BY SENATOR INOUYE

Question #1:

In preparing for multilateral negotiations in 1986, will consideration be given toward conducting an analysis of the applicability of the GATT Standards Code model to trade in telecommunications and other information-based service industries?

Answer: This suggestion is actually a USTR staff idea that grew out of work undertaken in 1984 on the proposal for a US-Canadian sectoral free trade agreement in informatics. While the proposal may have merit, the focus of our preparations for new negotiations will be on gaining international support for inclusion of the subject of trade in services on the negotiating agenda. Our goals are, in fact, much more general. We seek to establish a general code for trade in services that would provide for transparency, national treatment with respect to all laws and regulations not notified as trade barriers, and the negotiation of commitments leading to the binding, reduction or elimination of barriers to trade in services. Only at a later stage do we envision tackling the specific problems of individual sectors, such as telecommunications.

Question #2:

In developing negotiating strategies for telecommunications and other information-based services, will attention be focused on the international trade and investment consequences of national telecommunications policies -- including attempting to persuade other governments that certain of their present or projected policies are or will be barriers to international commerce?

Answer: As noted above, the thrust of our effort will be to establish common disciplines covering trade in services as a whole, rather than breaking out individual sectors. However, in so doing, we anticipate that one conceptual issue for discussion will be the role of monopolies and the national policies they pursue. Telecommunications is but one services sector where foreign governments have national policies set by monopolies.

Question #3:

Will it be possible to negotiate a meaningful international agreement in the case of the information-based service industries regarding market access?

Answer: Negotiation of a set of common disciplines and shared goals for international services trade would go a long way towards addressing the barriers that currently restrict market access for information-based service industries and towards establishing a framework for dealing with future problems. In the longer term, we hope to reach a meaningful agreement on market access for the information-based service industries.

FEDERAL TRADE COMMISSION

STATEMENT OF JAMES C. MILLER III, CHAIRMAN, FEDERAL TRADE COMMISSION

ACCOMPANIED BY:

JAMES A. WILLIAMS, ACTING EXECUTIVE DIRECTOR

FREDERICK J. ZIRKEL, DIRECTOR, DIVISION OF BUDGET AND FINANCE

BUDGET REQUEST

Senator RUDMAN. Our next witness this morning is James C. Miller, Chairman of the Federal Trade Commission.

The fiscal year 1986 budget request for the Commission is $63,934,000, a reduction of $377,000 from the enacted level.

PREPARED STATEMENT

We are going to have you summarize your statement, if you like. However, it will be included in the record in its entirety.

[The statement follows:]

PREPARED STATEMENT OF JAMES C. MILLER, III

CHAIRMAN

FEDERAL TRADE COMMISSION

Mr. Chairman and Members of the Subcommittee: I am pleased to appear before you today to explain the Federal Trade Commission's fiscal 1986 budget request and to answer your questions.

Congress has charged the Commission with protecting the American public from "unfair methods of competition" and "unfair or deceptive acts or practices" in the marketplace. Thus, we have a responsibility to ensure that American consumers are able to enjoy all the advantages of a vigorously competitive market -- free of unfair, fraudulent and deceptive practices. In my opinion, the budget we are discussing today will permit us to continue to meet this important responsibility.

Fiscal 1986 Budget Request

The FTC's proposed budget for fiscal 1986 represents approximately a four percent decrease in real terms from its fiscal 1985 budget. This Commission-approved request is for $63,934,000 and 1,168 workyears. These fiscal 1986 figures reflect a decrease of $1.8 million and 44 workyears over the agency's fiscal 1985 levels.

These reductions are in keeping with the President's across-the-board freeze initiative.

In the opinion of the Commission, these dollar and workyear reductions reflect manageable changes. In addition, these reductions will not affect our regional office operations, as all workyear cuts are targeted for headquarters.

Resources for 1986 will be directed against business practices that truly harm competition and injure consumers, such as price fixing and mergers that substantially lessen competition. In fiscal 1986, the Commission will continue to work directly with the business community to achieve voluntary compliance through education and articulation of policy.

Since I assumed the Chairmanship of the FTC in October of 1981, the agency's workforce has been trimmed and its annual expenditures have been contracted. By the end of fiscal 1985, agency workyears will be reduced by approximately 31 percent from the start of fiscal 1981.

The Commission's fiscal 1986 budget requests funding for the agency's three missions as follows: Maintaining Competition - $29.0 million and 525 workyears; Consumer Protection - $30.8 million and 566 workyears; and Economic Activities - $4.1 million and 77 workyears.

Maintaining Competition Mission

The Maintaining Competition Mission for fiscal 1986 reflects a decrease of 20 workyears and $781,000 from fiscal 1985. This budget, nevertheless, provides sufficient enforcement resources to pursue aggressively the goals and objectives of the mission because the majority of reductions are in the area of support services. In fact, only two mission programs will experience a direct enforcement workyear drop of more than one.

Among other things, the $29.0 million we propose be allocated to the Maintaining Competition Mission will permit the Commission to:

- Investigate alleged restrictions on competition in the delivery of health care services, a major sector of the economy that has been characterized for many years by rapidly rising consumer prices;
- Continue our emphasis on finding and eliminating restraints among direct competitors that raise or maintain prices above competitive levels or otherwise harm consumers;
- Challenge anticompetitive mergers that could lead to higher prices, restricted production, diminished quality, or other harms to consumers;
- Assure compliance with outstanding Commission orders;
- Render advisory opinions, to increase business conformance with the laws we enforce;
- Respond to numerous requests from Congress for our assessment of the competitive impacts of proposed legislation; and
- Articulate the competitive consequences of proposed policy changes contemplated by regulatory agencies.

Consumer Protection Mission

The Consumer Protection Mission for fiscal 1986 reflects a decrease of 23 workyears and $1,032,000 from fiscal 1985. Support cuts also account for the majority of these reductions, as only a single Consumer Protection Mission program experiences a direct workyear reduction of more than one.

Based on this allocation of reductions, the $30.8 million we propose be allocated to the Consumer Protection Mission will provide for a strong program. Specifically the Commission will:

- Work aggressively to educate consumers of their rights and businesses of their responsibilities under the consumer protection laws and rules we enforce;
- Target our consumer protection activities on cases involving substantial consumer injury -- particularly on cases involving fraud, systematic breach of contract, false or deceptive advertising, credit law violations, and unfair use of standards and standards-making procedures;
- Provide resources to complete litigation and pending rulemakings in major program areas and to monitor compliance with existing rules and orders; and
- Work closely with both state and federal agencies to analyze the effects of their rules and regulations on the ultimate consumer.

Economic Activities Mission

The Economic Activities Mission budget request is for 77 workyears and $4,100,000. These resource levels reflect a decrease of one workyear and $14,000 from fiscal 1985. No direct mission workyear cuts are planned for this Mission.

The $4.1 million allocated to the Commission's Economic Activities Mission will be used to stress its traditional emphasis on independent analysis and reporting on important issues concerning the economy. For example, during the 1986 fiscal year, we expect the Economic Activities Mission to undertake or complete studies in the following areas:

* Competitive or regulatory problems of small businesses;
* Role of advertising in assuring product quality;
* Analysis of the causes and consequences of vertical integration;
* Determinants and impacts of conglomerate mergers, takeovers, and sell-offs;
* Consumer expectations concerning new car reliability; and
* Use of stock market data to evaluate the competitive effects of proposed mergers.

Fiscal 1985 Supplemental Request

Included in the agency's figure for fiscal 1985 of $65,761,000 is a pay supplemental request of $1,450,000. This amount funds the full pay raise and will be needed if the agency is to operate at a 1,212 workyear level.

With regard to the fiscal 1985 budget, the Commission has adjusted the original workyear level downward for two reasons. First, uncontrollable price increases and other needs forced the reallocation of dollars (the recent ten percent postage increase is an example of such a price increase). And second, the reduction in workyears to our 1986 workyear level will be more effectively managed if it is done gradually, and so we propose to begin adjusting to the lower 1986 workyear level starting in the middle of fiscal 1985 as opposed to waiting until the end of the fiscal year.

A second fiscal 1985 supplemental totaling $3.8 million has been submitted under a separate cover. This second supplemental appropriation was to be used to provide funds for the consolidation of five "satellite" office locations in the downtown Washington, D.C. area. However, negotiations between GSA and the landlord recently broke down when the landlord unexpectedly signed a lease with a private firm. GSA is exploring other alternatives for consolidation and we will keep the Committee advised of our progress.

The fiscal 1986 figures before you were developed on the basis that the space consolidation would be completed as proposed in fiscal 1985. Specifically, we reduced our estimate of GSA Centrex phone charges for fiscal 1986 by $465,000 in anticipation of having a new telecommunication system in place by the end of fiscal 1985. If consolidation does not occur by the beginning of 1986, our phone charges will be at the higher 1985 levels.

Because consolidation of these new offices would reduce direct costs and save taxpayers millions of dollars over the long-term, the FTC will continue to work unfailingly towards accomplishing this important management initiative.

Reauthorization

It is my sincere hope that this will be the year the FTC achieves reauthorization. In fact, it is my number one priority. Living from one moment to the next without an authorization can be debilitating to an agency's morale and thus impair its effectiveness. The reauthorization bills approved last year by the commerce committees also contain important clarifications of the FTC's powers and articulations of legislative intent.

As you will recall, the FTC might well have been reauthorized but for the battle over the professions jurisdiction in 1982 and the hiatus created by the Supreme Court's 1983 Chadha decision holding the legislative veto unconstitutional. But these problems would seem to be behind us. I believe the time is now right for the full membership to act responsibly and approve this legislation for the President's signature.

Concluding Remarks

Mr. Chairman and Members of the Committee. I hope you can see from our fiscal 1985 supplemental and fiscal 1986 budget submission that the Commission is determined to carry out, effectively, its statutory mandates. The agency's 1986 request reflects the cost savings and efficiencies associated with the successful review and alteration of past policies and practices.

I feel strongly that the resource level and policy directions just outlined will enhance our overall operating efficiency and that the budget before you is adequate for us to meet our Congressional mandate.

* * * * *

Mr. Chairman and Members of the Committee: that concludes my prepared statement. I would be happy now to respond to your questions.

BUDGET REDUCTIONS

Senator RUDMAN. I would note it is rather interesting that we have a $377,000 reduction out of a $64 million budget here and we just had a $2 million reduction out of a $13 million budget. I think that only reinforces some of the previous discussion we had.

Before you proceed, Chairman Miller, my colleague, Senator Specter, has a very tight schedule this morning. He had a question in particular that he wanted to address to you and to the people who are with you this morning here at the table. Please identify them for the record.

INTRODUCTION OF ASSOCIATES

Mr. MILLER. I will be glad to. To my right is Jim Williams, who is Acting Executive Director of the Federal Trade Commission. To my left is Fred Zirkel, who is our Chief Budget Officer.

Senator RUDMAN. Very well. I will now yield to Senator Specter who will have his discussion with you and then we will go back to our normal format.

Senator SPECTER. Thank you very much, Mr. Chairman, for digressing in this way.

Mr. Miller, I wanted to raise a question with you about a matter which I know you have just completed, and that involves Chevron and Gulf. I know an order was entered earlier this month. I had considered bringing this matter to you earlier and had decided not to do so because of a number of considerations.

But when Chevron was moving to acquire Gulf and Chevron officials came to Washington, we had a heated debate last year about moratoriums on oil mergers, one of the representations made by the top Chevron officials involved assurances that the Gulf refinery would stay open in Philadelphia. They candidly said they had problems on the assurances on the Pittsburgh refinery, but the Philadelphia refinery would stay open.

The matter was brought to me a few months ago by city officials that the refinery was going to be closed. I wrote to the chairman of the board, George Keller, of Chevron, reminding him of the commitments, and I received a response back on February 25, 1985, referring to the conversation which we had. It had one line which I thought was somewhat amusing, to put it mildly, where he said that "No company anywhere could possibly guarantee absolutely that any of its facilities is going to operate as-is in perpetuity."

That is a doctrine which differs from the rule in *Shelley's* case and may pose a new line on considerations of corporate commitments and congressional largess in letting them go ahead.

Senator RUDMAN. It is something less than perpetuity, I take it. [Laughter.]

Senator SPECTER. The ink isn't yet dry and I am being told that you can't have it as-is in perpetuity. Senator Rudman is a distinguished lawyer, among other distinguishied qualifications. I think he has already picked up the point.

My question, Mr. Miller, and it goes beyond this transaction, and I had decided not to respond at least for the moment to Mr. Keller, although I have no doubt he will note our conversation this morning. I think this is a more important conversation for him to note than simply a letter.

But we are going to have a lot of proposed mergers, we are going to have a lot of corporate commitments. This will be back again and again and again.

I am not saying what is going to happen years down the road, but in the context where it has just occurred, where the governmental authorization or approval is not complete, what is doable from the point of view of a Federal regulatory agency like the FTC? You do have anticompetitive considerations which are paramount and I know central to your activity, but how would it be possible to construct a safeguard along this line to carry out the intent of the parties in this kind of arrangement? You can't write it down legally binding in terms of going to court and enforcing it. But to preclude a response like this in this context.

Mr. MILLER. First let me say that I may not recall some of the specifics of this matter and I may have to supply for the record some additional information.

As you correctly point out, our concern is with the antitrust implications of any kind of merger. If we, for example, considered that operating certain facilities in a certain way was essential to preserving competition in a market, we could write a consent order that way. And if a company signed a consent order and deviated from that consent order, we could go to Federal court and seek injunctive relief very quickly.

To my knowledge, the situation in Philadelphia was not part of a consent order we signed with Chevron and Gulf. I will be glad to look into the matter and get back to you with respect to specifics.

Senator SPECTER. I do not believe this raises anticompetitive issues or I would have been at your door a long time ago. I don't know that there is any reach you can make on it.

But what I am groping for, and taking just a few moments of the committee's time because I think it is an important issue and it will come up again and again, we don't expect companies to make guarantees that are going to last forever. In perpetuity means forever.

Senator RUDMAN. It does include next Tuesday, however.

Senator SPECTER. I would think so. [Laughter.]

It won't be the FTC absent an anticompetitive situation, and I don't expect you to provide this answer, I will confer later with Senator Rudman on it. We will put our legal backgrounds together to try to figure something out. But I think it is worth noting for the record.

MERGER PARTY COMMITMENTS

I would be interested when you review the Gulf-Chevron initiative if you or your staff have any idea, even beyond what the FTC can do, that you let the subcommittee know because we are concerned with broader aspects of commerce here as we grapple with the problems of the country, grapple with problems of mergers, seek to have appropriate assurances for retention of facilities, subject to agreements, what companies think they can do.

I would appreciate your thought about it in the context of this merger because I know you have spent a lot of time thinking on it, even though it is not precisely in line with antitrust or anticompetition.

Mr. MILLER. Senator, we would be glad to provide that response for the record.

Senator SPECTER. I very much appreciate it.

[The information follows:]

COMMITMENTS BY PARTIES TO MERGERS

There is no provision in the Chevron-Gulf order that requires Chevron to keep the Gulf refinery in Philadelphia open.

The Chevron-Gulf order did not require the divestiture of the Philadelphia refinery. There was a Hold Separate Agreement incorporated into the order in this matter that required Chevron to hold separate all of Gulf's oil and gas assets and businesses, including the Philadelphia refinery. However, the Commission terminated the Hold Separate Agreement on March 13, 1985, when Chevron had completed the major divestitures required by the Commission's order.

There may be some circumstances in which it would be appropriate to require a company involved in a merger to continue to operate specific facilities. Certainly, if the Commission requires divestiture of specific facilities, it would be appropriate to insist that such facilities be maintained in a viable and marketable condition pending divestiture. Normally, this would mean that the facilities in question should continue to be operated until divestiture has been accomplished. Also, the Commission would normally require that any acquirer state its intention to operate the divested facilities. Moreover, in specific contexts, a broad hold separate agreement such as that in the Chevron order may be appropriate to assure that an adequate divestiture will in fact be achieved. Apart from such special situations, however, I do not think that in general it is a good idea to require firms to continue to operate facilities when the firms believe it does not make economic sense to do so.

PHILADELPHIA REFINERY

Senator SPECTER. Thank you very much, Mr. Chairman.

Senator LAUTENBERG. By the way, for the information of Senator Specter, I have a similar situation in New Jersey that we talked about.

Senator SPECTER. I think you also have a concern with the refinery in Philadelphia.

Senator LAUTENBERG. That is right.

Senator RUDMAN. Chairman Miller, please proceed. Your entire statement will be put in the record.

BUDGET REQUEST

Mr. MILLER. Mr. Chairman, as you know, we are charged with freeing the market from unfair methods of competition and unfair or deceptive acts or practices so the consumers can enjoy the benefits of a vigorous, competitive economy.

Our 1986 budget request represents approximately a 4-percent decrease in real terms from the Commission's fiscal 1985 budget. This Commission-approved fiscal 1986 request is for $63.9 million or 1,168 workyears, reflecting a decrease of $1.8 million and 44 workyears over the agency's fiscal 1985 budget level.

This amount essentially keeps the Commission whole in real terms but also reflects the President's budget freeze that applies to a number of agencies.

As I have said in the past, my view is that the Federal Trade Commission, after having undergone approximately a 30-percent reduction in real terms since 1981, is at the appropriate level. But in this time of very substantial concern about budget deficits, the President has asked all agencies to do some belt-tightening. This belt-tightening, I think, is within the realm of feasibility for us and the Commission feels that it can carry out its mandate at this lower level.

Now, as you know, we have three major missions. Maintaining competition, the antitrust mission, is budgeted at $29 million and 525 workyears; consumer protection is at $30.8 million and 566 workyears; and the economic activities mission is at $4.1 million and 77 workyears.

The budget for the maintaining competition mission is a decrease of 20 workyears and $781,000 compared with the fiscal 1985 budget. In the consumer protection area, this budget represents a decrease of 23 workyears and a little over $1 million from fiscal 1985. There are no direct workyear cuts planned for the Economic Activities Mission.

Senator LAUTENBERG. Excuse me. A point of information. Chairman Miller, the workyear is a person?

Mr. MILLER. Right.

Senator LAUTENBERG. I am just curious, why is it described as a workyear?

Mr. MILLER. It is essentially a full-time person.

FISCAL 1985 SUPPLEMENTALS

In addition to our fiscal year 1986 request, we have a supplemental request for $1.45 million to cover the full amount of the 3.5-percent pay increase effective at the beginning of this year. We will need it if we are to operate at the 1,212 workyear level.

We also have a second supplemental for $3.8 million that has been submitted under separate cover. That supplemental is for consolidating the five Washington locations in which we have employees beyond the main headquarters building, into one building. I think we will realize some outright savings from consolidation, and also some beneficial synergistic effects. Some of this money will go to new telecommunications equipment.

Senator RUDMAN. I hope it is all native American telecommunications. [Laughter.]

Mr. MILLER. Well, Mr. Chairman, I am sure we will be able to give you any information you would like to have on that. [Laughter.]

Senator RUDMAN. I would. Seriously, I would. I would like to know who makes the equipment that you are eventually going to buy. Just let us know. If it comes back with an odd-sounding name, you may find some very unhappy people around here.

Mr. MILLER. On the other hand, Mr. Chairman, I am sure we share the President's goal of reducing the deficit wherever we can save money. These sort of decisions may be made at a different level.

At this point, I welcome the opportunity to respond to any questions.

Senator RUDMAN. Chairman Miller, there is probably no agency head I have gotten to know better over the last 4 years or whom I have more respect for. We have fought some rather good battles together.

Mr. MILLER. Yes, we have.

JURISDICTION OVER THE PROFESSIONS

Senator RUDMAN. For the record, could you possibly alert some other people in this room as to how much ammunition we have to put into our gunbelt on certain issues. What battles do you think are going to be revisited this year? For instance, should we expect any more problems concerning our battles over the last couple of years, really not last year but the previous 2 years, in the general area of physicians?

Mr. MILLER. I think the major problem in that area will be coming from the lawyers. A subgroup of the legal profession in America would seek an exclusion from FTC authority.

The medical profession, by and large, has accepted the compromise language that was worked out and that the Senate Commerce Committee approved last year.

I think that for the legal profession there is some uncertainty about exactly how that language applies. I have had some suggestions for clarifying language that could go either in the report or in the law itself that would accomplish the objective of making sure the Federal Trade Commission had ample authority to police fraud, deception, and anticompetitive activities in the legal profession, and in all professions for that matter, but also clarifying that we shouldn't get into areas where States really do apply the appropriate kinds of regulation.

MUNICIPAL JURISDICTION

Senator RUDMAN. How about the area of taxicabs? I wish Senator Hollings were here.

Mr. MILLER. I do, too, Senator. [Laughter.]

Senator RUDMAN. I am sure he will wish he was here. Senator Hollings and I had some very enjoyable, and I mean that in every sense of the word, debates on that issue. He would win and I would win, and I guess we probably won more by timing than anything else, certainly not by talent.

Could you tell us whether that is apt to be revisited this year?

Mr. MILLER. I think the major driving force behind the notion of excluding municipalities from FTC jurisdiction was the possibility of private treble damage suits against municipalities.

As you know, a bill was signed into law that excludes municipalities from treble damages, including cases that are currently in litigation. So I think the overall push for that kind of legislation has waned somewhat.

I think there remains a question in some people's minds as to whether a regulator such as the Federal Trade Commission should have authority to question certain municipal regulations. As a person who believes strongly in the notion of federalism, I am very cognizant that federalism, pursuant to the Constitution, essentially involves the Federal and State governments.

As you know, under the State action doctrine the State can choose to immunize a city from antitrust prosecution. If they choose not to provide this immunity, the Federal Government including the FTC continues to have jurisdiction.

Senator RUDMAN. I would agree with you that the treble damages legislation was most appropriate, and I think has in fact taken some of the impetus away from that.

INSURANCE MATTERS

On another issue, I understand that there is something going on in the area of title insurance at the Federal Trade Commission. It is causing a lot of concern in a lot of places. I am only generally familiar with the issue. Can you tell me about that?

Mr. **Miller**. Mr. Chairman, I have to be very, very careful here. The matter is in Part 3 and I will have to limit my comments accordingly.

With respect to the McCarran-Ferguson Act, I assure you every Commissioner is very cognizant of the limits of the FTC's authority over insurance. In fact, we abide carefully by the Supreme Court's interpretation in this area.

As a generic matter, I think each matter we would address at the Federal Trade Commission would be consistent with correct interpretation, in our judgment, of Federal law. Beyond that, I would prefer that any response come from the staff that is litigating the matter. As you know, Commissioners are judges and I wouldn't want to engage in colloquy which might indicate I had this matter prejudged in any way.

Senator **Rudman**. That is appropriate. The answer I received generally on the record is what I wanted.

Mr. **Miller**. Fine.

RESALE PRICE MAINTENANCE

Senator **Rudman**. Last year, pursuant to a directive in our conference report, you did submit to us a report on retail price maintenance enforcement activities at the Commission. We have it here. Reading between the lines, you indicate, and I have read it before, a narrow role for the FTC in RPM enforcement. You say on page two that private remedies are often the most appropriate. Is that a fair summary of your view?

Mr. **Miller**. Let me say this: The Federal Trade Commission is going to enforce the law. The *Sylvania* decision in 1977 implied the policies pursued previously by the FTC and the Department of Justice were incorrect, and that in fact nonprice vertical restraints should be judged under the rule of reason. So there was a shift in focus pursuant to that decision.

Still there continued to be a notion at the Federal Trade Commission that certain other vertical restraints might be attacked under the law. In fact, the Commission's *Russell Stover* case directly questioned the Colgate Doctrine, enunciated by the Supreme Court in its celebrated 1919 decision. The Commission's decision in *Russell Stover* was overturned by the Second Circuit.

Also, in the *Monsanto* decision issued last year, the Supreme Court clearly articulated that the Colgate Doctrine is alive and well, and we are going to observe that admonition from the Supreme Court.

What we are communicating with respect to policy vis-a-vis RPM is that we are going to follow the dictates of the Supreme Court as it has interpreted the law.

Secondly, perhaps mainly because of the Supreme Court's *Sylvania* and *Monsanto* decisions, it is going to be very difficult for public antitrust enforcers, such as the FTC, to find illegal vertical agreements. In fact, if you do, you will find somebody who was just quite ignorant of the law and doesn't have sense enough to employ a lawyer to tell them how to accomplish their objectives in a legal way. An agreement, if they have signed an agreement, is evidence that they have been guilty of RPM. Failing that, it is somewhat difficult to prove.

The final point is that companies who would be hurt by RPM have a great incentive to pursue private litigation, especially since treble damages are available.

I want to assure you, when I sit as a judge and we find a case of outright RPM, I have to follow the dictates of the courts. And we do look for these cases. When there have been allegations of illegal restraints, we have looked into these. But what we have found in most cases is behavior that is insulated under the Colgate Doctrine or the rule of reason analysis required in *Sylvania.*

DEPARTMENT OF JUSTICE VERTICAL RESTRAINTS GUIDELINES

Senator RUDMAN. How does the FTC feel about the recently published guidelines in the Antitrust Division of the Department of Justice?

Mr. MILLER. On the whole, we agreed with them. We think it is very important for there to be a coincidence of policies between the Federal Trade Commission and the Department of Justice. After all, we have a responsibility to people in private markets to ensure the rules of the game are not determined by a flip of the coin as to which agency looks into a matter.

We consulted with the Justice Department on these vertical guidelines. I can't speak for every Commissioner, but as a whole, I think the Commission supports the general approach taken at this time.

CLAYTON ACT REVISION

Senator RUDMAN. Let me turn then to a question I have asked several witnesses, the USTR in particular, about Section 7 of the Clayton Act, which of course Secretary Baldrige I think correctly said needs some reform. I am not sure what kind of reform. I think it is a very delicate area. But the fact of the matter is that when you look at Section 7 and look at the world markets as they are, you find something is wrong.

What is your personal position on Section 7 in terms of world market competition?

Mr. MILLER. I can certainly understand the concern Secretary Baldrige has expressed. I think in the past, antitrust enforcement has not considered economic efficiencies in merger cases, nor has it recognized the world market in its evaluation of market shares.

Senator RUDMAN. Isn't that precisely the weakness with their analysis, the failure to analyze world markets?

Mr. MILLER. Absolutely. I hasten to add that the Federal Trade Commission and the Department of Justice have incorporated the questions of efficiencies and world conditions in their analysis of the probability of anticompetitive restraints on trade flowing from mergers.

Moreover, the courts have been going through this evolutionary process as well, and their guidelines have also been refined to reflect more adequately the issues of world markets and efficiencies.

As a result I don't see a need to reform Section 7. I oppose tampering with the current statute.

MUNICIPALITY RESTRICTION ON FTC

Senator RUDMAN. The official budget submission of the President proposes that we continue last year's general provision barring the Commission from taking antitrust action against municipals unless authorized by law. Do you want to comment on that?

Mr. MILLER. Oh, I was shocked when I saw that language in the budget. [Laughter.] I quickly found out, to my great relief, that it was a result of a typographical error. Brackets should have been inserted in a certain place.

I believe OMB has submitted a publication correcting the error. We will be more than happy to provide whatever document may have been submitted. [Laughter.]

Senator RUDMAN. I have to tell you, it was a terribly lonesome feeling. I personally felt we had lost a very powerful ally. I at least thought I would have gotten a phone call.

Mr. MILLER. Mr. Chairman, we would not leave you out—[Laughter]—in a lonely position like that. That was in error, I can assure you of that.

Senator RUDMAN. Senator Lautenberg?

Senator LAUTENBERG. Thank you, Mr. Chairman.

CONSUMER PROTECTION REDUCTION

Chairman Miller, one of the concerns that I have, and I share the same beliefs that the deficit is something we want to work actively to reduce, that is the ability of important agencies to be able to function properly.

I notice in your testimony the fact that you were able to continually, since your tenure began in 1981, to reduce staff and budget and so forth. That is commendable. It does imply some excess staffing or low productivity before that; I mean because the prudence can only come in so many ways. That is numbers of people or improved productivity, since you are largely in what I might describe, without offending you, a manual business. It requires people to do the work.

Mr. MILLER. That is not offensive at all.

Senator LAUTENBERG. Not being a lawyer here, I never know if I am saying the right thing. [Laughter.]

The FTC requests consumer protection funds, in line with what I was talking about, of $31.8 million, rounded, and 589 workyears in fiscal 1985, to a decrease of substantial proportions. This is the latest reduction proposed.

I notice in your testimony that as things get cut back, you are going to do an even better job, and I admire that. The consumer protection reflects, based on this allocation, the $30.8 million will be proposed to be allocated to the consumer protection mission, providing for a strong program.

Is there no inhibition, reduction, diminution of service to a program that is going to be taken out of here to accomplish these savings you are talking about?

Mr. MILLER. Let me say, first of all, that most of the cuts are in the area of overhead. This budget reflects a reduction of 44 workyears from what we have now. About 28 of those are engaged essentially in overhead activities. In terms of the number of people involved directly in our law enforcement activities there is not much of a reduction.

OVERHEAD POSITIONS

Senator LAUTENBERG. What kinds of jobs are overhead jobs?

Mr. MILLER. People who are involved in administration personnel, involved in moving things around, et cetera.

Senator LAUTENBERG. That is a task, to keep moving things around? [Laughter.]

Mr. MILLER. From time to time there is a need for moving things around. Unfortunately, for example, the building where we were going to consolidate all the personnel beyond our immediate headquarters building fell through. We have about 100 people in the Pennsylvania building who must vacate the building by the end of this month. We are moving those people temporarily into the Bicentennial building. Of course, we will incur moving expenses as a result.

So, like it or not, there are times when things need to be moved around.

We are trying to target the cuts to have a minimum impact on the actual programmatic areas you have expressed concern about. I don't think there is any question we are going to have to do some belt-tightening pursuant to the President's proposal to freeze agencies at the fiscal 1985 appropriations level. All I can say to you, sir, is we are going to do the best we can to maintain our output and improve our productivity.

Senator LAUTENBERG. The 4-percent real diminution translates into what is it, 2.7 percent nominal is what I got out of the arithmetic. It went from $65.7 million, roughly, down to $63.9 million?

Mr. ZIRKEL. That is correct.

Senator LAUTENBERG. That is a 2.7 percent reduction. How does that square with the 4-percent objective?

Mr. ZIRKEL. In addition to that dollar change, there are some price increases that were not passed on into 1986. The 4-percent reduction relates more closely to the workyear drop of 44, from 1,212 to 1,168.

Senator LAUTENBERG. I am asking the question without any——

Mr. ZIRKEL. That is an aggregate amount.

Senator LAUTENBERG. So the 4 percent, if it got smaller, each individual would not take the pay cuts necessarily, or take pay cuts that are requested by the President.

By the way, I am asking this in innocence, honestly.

Mr. MILLER. What we did generally was allocate the reduction proportionately. Each major mission has received some decrease. It is across the board.

I would hasten to add that the Commission has almost five times as many lawyers than economists, but the Bureau of Economics has been running below the authorized ceiling for some time. The numbers you see don't fully reflect the diminution of the economics division, but when you take that factor into account you see there has been roughly a proportionate reduction across all missions.

REDUCTION OF FTC RESPONSIBILITIES

Senator LAUTENBERG. Mr. Miller, do you see this budget reduction directive as an opportunity to reduce some of the responsibilities of the FTC? I am not sure whether you in our earlier meetings didn't feel that maybe there was an overextension of scope in terms of the Commission's function.

Mr. MILLER. I do feel some of what the Commission was involved in, let's say 5 years ago, was outside the appropriate scope of the Commission's activities, and that reflects a policy change consistent with the views of the President of the United States.

Senator RUDMAN. And, I might add, the Congress in many cases.

Mr. MILLER. Yes.

So yes, there has been a change. In many areas I think we have strengthened the Commission's activities. I would also say that we do not anticipate using budget reductions as an excuse to walk away from areas that the Commission is authorized and directed by Congress to cover.

Senator LAUTENBERG. Do you think that maybe the larger cut taken by the consumer protection section is reflective of your view that that needs less focus?

Mr. MILLER. It was a collective decision made by the Commission to allocate the reductions. However, there was not a conscious decision by the Commissioners to say, for example, the consumer protection mission is doing X, Y, and Z; it shouldn't be doing that, so let's cut that out. Instead, we allocated those reductions in ways we felt would minimize any adverse impacts on our programs.

PAY SUPPLEMENTAL

Senator LAUTENBERG. There was a supplemental request for 1985 of something over $1 million. Is it possible that come the spring of 1986 we might be looking at the same needs?

Mr. MILLER. No. The supplemental request would be to cover the salary increment that was approved by Congress for the first of the year to the end of the fiscal year. It reflects 100-percent absorption of the increased salary mandated by the salary increment approved by Congress.

PROFESSIONAL STAFF

Senator LAUTENBERG. Yours is a big budget. It is a highly professionalized staff; is that fair to say?

Mr. MILLER. I think compared to many agencies it is a very small budget, but it is a very professional staff.

Senator LAUTENBERG. I ask you this as a philosophical or conceptual question. Isn't there a risk of demoralization of staff, I mean in comparison to the outside world? People work for government for a specific reason, and I admire that. That is a commitment not always understood by the corps outside, of which I used to be a part.

When you are talking about professionals who have easily transferrable skills, don't you run some risk in a department like yours that you are going to be out-distanced by not having the best skills available where you are competing at times in a corporate world? I am talking now about issues not personnel, where they are martialing the best forces on the other side.

Mr. MILLER. Let me say, I would put up the lawyers and the economists of the Federal Trade Commission against those randomly selected from the private sector any day.

Senator LAUTENBERG. Do they get as much money as they do in the private sector?

Mr. MILLER. They probably do not.

Senator LAUTENBERG. Do you want to step out of the room and I will ask the staff? [Laughter.]

Mr. MILLER. I think you are right to put your finger on this. People serving in government often, for very commendable reasons, are willing to work in government for less remuneration than they could secure in the private sector. I think it is a reflection of their feeling that they are doing something very useful and in the public interest.

Senator LAUTENBERG. But there isn't anybody who doesn't like to feel appreciated.

Mr. MILLER. Absolutely.

Senator LAUTENBERG. And it reflects the barometer of appreciation in how you take care of your family and yet give your children the kind of education you would like to see them get and a reasonable lifestyle and so forth without excess.

TEXACO REFINERY SALE

Mr. Chairman, I have been deeply interested in the Texaco merger, allowing the merger, mandating the divestiture. I am referring to the Eagle Point refinery in New Jersey. You know that I expressed concern that conditions be set that would lead to a sale that would maintain the viability of the refinery. It is important to have competitive advantage of the local refinery and a controlling market in the Northeast. It is important to the people in the county in which this is located. It is the second largest employer. I can't tell you how anxious and how concerned the people who work in the refinery are and the people who depend on its contribution to the economy.

In December Texaco sought permission from the FTC to sell the refinery to the Coastal Corporation. It is now mid-March. People are still waiting for an answer. What is going on?

Mr. MILLER. The Commission has asked for public comments on whether this sale meets the conditions of the agreement signed with Texaco. We anticipate making the decision reasonably soon.

As a generic point, when you sign a consent order and require something to be done—a sale, divestiture or whatever—and then the parties have to come back for approval, it creates a lot of uncertainty. But, on the other hand, I am sure if the Federal Trade Commission moved too quickly there would be those who would say that the Commission had not exercised adequate review. We do have a policy of inviting public comments.

Senator LAUTENBERG. We will wait until we see the decision before we say you have adequately reviewed it. [Laughter.]

Mr. MILLER. We would welcome any input you have regarding whether the review time is adequate.

Senator LAUTENBERG. It all depends on the answer. [Laughter.]

I am being a little facetious. You know the concern we have in the area. We went through this thing several times. Is the FTC aware of the offers for the refinery made by other interested parties?

Mr. MILLER. I am sure the staff is and will so instruct the Commission.

Senator LAUTENBERG. Have your people get back to my office, please.

Mr. MILLER. Within the propriety of our review of the matter, we will offer you any information we possibly can.

Senator LAUTENBERG. Perhaps my colleagues can tell me, is the Senator's inquiry within the bounds of propriety?

Senator RUDMAN. In certain cases it may not be. But I have always found the Commission to be very forthcoming with information. There are certain kinds of information they have difficulty with because they really do sit as a quasi-judicial body in some cases.

Senator LAUTENBERG. Can't it be offered with a conditionality that restricts it from——

Senator RUDMAN. I would ask Chairman Miller to answer that.

Mr. MILLER. Senator, I am not a lawyer either.

Senator LAUTENBERG. Thank goodness. [Laughter.]

Mr. MILLER. So I tread gently when I make promises because I don't want to make promises I can't keep.

Senator RUDMAN. I suggest you respond to Senator Lautenberg directly, and not on the record of this hearing about the question he raises. I am familiar with and quite aware of the problem you address.

Mr. MILLER. We will respond fully, barring any restraints on us to do so.

FOOD INDUSTRY PROGRAM

Senator LAUTENBERG. One last thing on the food industry. The 1986 budget proposes a decrease of staff assigned to the food industry by 3 workyears and $120,000.

Mr. MILLER. Yes.

Senator LAUTENBERG. Why was this area targeted for reduction?

Mr. MILLER. Other offices in the agency would experience similar reductions under the 1986 budget.

This year the Commission has engaged in a series of hearings on food pricing policies, but we would not anticipate doing the same thing next year, so some of the resources devoted there would not be necessary.

It was not a conscious policy decision to somehow reduce our monitoring of that area.

Senator LAUTENBERG. Senator Hollings requested that we note that if there was an incentive, the food industry supervision might be merged with another budget activity and expresses pleasure in the fact it has a continuance.

MANAGEMENT OF FOOD PROGRAM

Mr. MILLER. If I could, Senator, amplify on that. We have, as an administrative matter, merged the food shop and the petroleum shop. They address issues that are somewhat similar in nature.

The head of that office, Ron Rowe, is a veteran of the Federal Trade Commission, an outstanding individual. He will have one deputy that is responsible for the food area, another deputy responsible for the petroleum area.

The move was made not to reduce our surveillance of the food industry or accord it lower priority, but simply as a management tool for more effectively administering our programs in that area.

Senator LAUTENBERG. Supervision of the food industry would seem to me to be a larger task, wouldn't it, than petroleum? I mean to me it sounds like a terrible mismatch, to have petroleum and food together, with the nature of the market place, the packaging of the product, et cetera, et cetera.

Mr. MILLER. Right, I can see the nature of your concern.

Senator LAUTENBERG. It is quite different. Of course, I think the risks are quite different as well. Is the food industry monitoring function not a larger one in scope than the petroleum?

Mr. ZIRKEL. Senator, the food industry is generally a third larger than the petroleum industry anyway. So we have about 10 more workyears in the food program than in the petroleum industry. So it is indeed a larger program overall.

Senator LAUTENBERG. It is funny that the food industry would not have been a survivor.

Mr. MILLER. Essentially it was a merger. It was not a takeover of one over the other.

Senator RUDMAN. You are not equally spreading the staff.

Mr. MILLER. No.

Senator RUDMAN. You are simply putting them in one place for purposes of administration, but not changing the relative balance.

Mr. MILLER. That is right.

Senator LAUTENBERG. It doesn't sound like a good match to me, but we will have to trust your professional judgment. We will stay in touch with you on that.

Senator RUDMAN. I would just add, on your response to Senator Lautenberg on policy, I think the record clearly shows that in terms of its activities, the Federal Trade Commission has had a difficult time doing what it is charged in law to do. This applies to a number of areas they pursue, going all the way back to the whole question of funeral directors, used car dealers, taxicabs, doctors, lawyers, and any other group that gets the ear of a few Senators. So I think many of the policy changes that have come, either from this administration or the prior one, much of the pressure on the FTC to diminish what I believe to be its legitimate activities in the area of consumer protection have come from this Congress, not from within the agency.

Senator Bumpers?

GROCERY STORE UNAVAILABILITY

Senator BUMPERS. Mr. Chairman, I don't know whether this is what Senator Lautenberg was getting close to or not, but was it the FTC that recently announced it was going to discontinue monitoring pricing of products or advertising of products which the advertiser did not have in stock?

Mr. MILLER. Senator, I am glad you raised that question, and following on what Chairman Rudman had raised, let me say that——

Senator BUMPERS. Had you already raised this issue?

Mr. MILLER. No. His last remark stuck in my mind in this regard.

The Congress has directed us to review a special rule that applies only to grocery stores. That rule essentially says if you advertise a product, and if you run out of that product short of reasonably anticipated demand, you are open to a $10,000 fine for every consumer that comes in and asks for it after you run out. We reviewed that rule, and preliminary research indicates it imposes greater cost on the consumer than benefits. We proposed a range of alternatives for modifying the rule, including terminating the rule.

Let me give you an example of the kind of problems associated with this rule.

Suppose a grocery store advertises a 12-ounce bottle of XYZ catsup and a customer comes into the store to buy that catsup after the store has run out. Suppose the store offers the customer a 28-ounce bottle of XYZ catsup at the same price. Under the rule, the store could still be fined up to $10,000, because it didn't have the 12-ounce bottle of catsup. Nor would substitution of a superior brand of catsup have satisfied the rule's requirements.

We are concerned at the Federal Trade Commission that the rule has a dampening effect on grocery stores' ability and willingness to advertise products. It has a dampening effect on the ability to secure occasionally products at very low prices, because the quantity available may not be sufficient to serve reasonably anticipated demand.

I would also note that rainchecks do not satisfy the rule's requirements either. The rule doesn't have anything to do with bait and switch tactics. For example, I could advertise XYZ catsup and actually have it in stock, but then persuade customers XYZ catsup is not really the best. That would be bait and switch.

Senator BUMPERS. That is not as much a problem in the grocery business as in the appliance industry.

Mr. MILLER. That is certainly a relevant point, because this rule applies only to grocery stores. Even if you did away with the rule completely, you would still have the Commission's other authority to use against a grocery store that engaged in that kind of activity.

STATUS OF THE RULE

Senator BUMPERS. Have you published any modifications to the rule yet?

Mr. MILLER. No. We have published in the Federal Register a solicitation for public comment on alternatives for modifying the rule.

Senator BUMPERS. I don't have any objection to modifying the rule. Based on what you told me, it obviously needs to be modified. But all I know about that is the account I got from the press, which looked rather ominous.

Mr. MILLER. That is true. I have expressed great consternation to some of my friends in the press. There is great misunderstanding about the nature of what we are doing in this regard.

Senator BUMPERS. The bookkeeping chore on this, for the grocery stores in this country, is it a pretty big task?

Mr. MILLER. This is part of the cost. Grocery stores have to keep inventory logs to know what to order. But there is also special information that must be available under this rule.

Senator BUMPERS. But they are not required to periodically file to you. It is only if you come in that they have to have the records available.

Mr. MILLER. Right. I should also note the rule addresses the question of pricing. If you go into a local store and they have something stamped wrong, that is a $10,000 fine. To some extent, it is a rule that just is such bad law, if I could use that term, that it is almost unenforceable. I just don't think bad law makes good sense in a democracy such as ours.

ANTITRUST ACTIVITY

Senator BUMPERS. Mr. Chairman, in your testimony here you have these different missions. I assume maintaining competition mission is where your antitrust division is.

Mr. MILLER. Yes.

Senator BUMPERS. How many antitrust lawyers do you have?

Mr. MILLER. We have approximately 200 lawyers there.

Senator BUMPERS. How many antitrust suits have you initiated since you have been there?

Mr. MILLER. I would have to supply that for the record.

Senator BUMPERS. Would you do that for me, please?

Mr. MILLER. I would be glad to.

Senator BUMPERS. Do you know how many you have pending right now?

Mr. MILLER. I will be glad to supply that for the record.

[The information follows:]

ANTITRUST SUITS

During this period the Commission has isssued 20 antitrust complaints to be litigated, and 23 consent orders with attendant complaints. It has sought preliminary injunctions in Federal courts in six instances, and filed four civil penalty actions in these courts. It has also issued 14 consent orders achieved after issuance of complaints.

The number of antitrust administrative complaints currently pending is 21.

Mr. MILLER. Keep in mind, the activities of the lawyers engaged in monitoring the competitiveness of the economy range from initial investigations, further investigation in formulating a complaint recommendation to the Commission, to actually litigating before an administrative law judge or before the Commission itself. Then, should the Commission find liability and the plaintiff appeal to the courts, then our attorneys litigate the matter in that forum.

Senator RUDMAN. I think Senator Bumpers is asking a good question. I think it would be better if you answered for the record, giving us a breakdown of the activities, because that gives us the breakdown to work with.

Mr. MILLER. I would be glad to do that.

CORPORATE TAKEOVERS

Senator BUMPERS. Did you see in the paper this morning that Senator Proxmire introduced a bill yesterday? I don't know the details of it, but it is designed to stop these corporate raids that are going on.

Mr. MILLER. No, sir, I did not.

Senator BUMPERS. How do you feel about green mail, for example?

Mr. MILLER. I think green mail and shark repellants and some of these kinds of mechanisms are things that we all have some concern about. My own concern is with the set of incentives that are incorporated in some of the rules and regulations issued by the Securities and Exchange Commission pursuant to the Williams Act, and also some state laws patterned after the Williams Act, that make it easier for managers to resist hostile takeovers, perhaps in many cases independent of their stockholders' own interests.

I think we ought to be looking at some of the underlying incentives structures. That is more the problem than green mail itself.

Senator BUMPERS. I agree with Senator Proxmire when he says it is out of control. I think Congress has an obligation to do something about it. I have been very closely following the Phillips Petroleum Company situation. I am a cosponsor of Senator Boren's bill to prohibit the kinds of raids that were made on Phillips.

What you are doing is taking good, solid corporations and throwing them heavily into debt in order to avoid some of these takeovers. In many instances, as a result of the takeover attempt the corporation is left strapped with great debt.

How could Capital Cities take over ABC except to take ABC's assets and raise $3 billion or $4 billion with it? Their sales are only $1 billion a year. Their net worth is, I forget what it is, but it is fairly phenomenal. They walk in there and the price of ABC stock goes up $33 in one day. Now, if I were an ABC stockholder, I probably wouldn't be raising this issue today. [Laughter.]

Senator RUDMAN. If the Senator would yield, you may recall that last year I introduced a bill on the Floor. We debated for two and a half days whether or not to have a moratorium, particularly in the oil industry at that time, although it is a broader problem. It received great support and in fact it was finally defeated on a very neat move by the present Majority Leader. I believe that Senator Boren and Senator Nickles, who opposed it at that time, finally got some good old-time religion back in Oklahoma. Now I am very proud to join them as a cosponsor with you on this.

What we specifically wanted to do was not to make a judgment that this was bad, I don't know if this is bad or good, but we wanted Chairman Miller, the FTC, and the Justice Department to look at the whole issue for six months and then come back to us and tell us whether or not this problem needed further study.

Unfortunately, by the time we finally get this barn door shut, most of the horses are going to be out in the field.

I agree with my friend from Arkansas, and to some extent with you, that this government really ought to try to determine whether or not some of the tax policies and some of the SEC policies and some of the State laws are in fact giving incentives to economic practices which are deleterious and in no way helping the free enterprise system.

Unfortunately, I don't know whether Senator Proxmire's bill is the right vehicle. That is why we wanted to study it for 6 months. But as you well know, and I believe the Senator from Arkansas supported me on this, we lost that.

Senator BUMPERS. Some of the corporations are sitting in corporate board rooms doing some things to protect themselves in case of a takeover, too. I mean they are not totally guiltless in these things. Some of those guys are fattening themselves up; if you want to take over, that is okay, but I have a 20-year contract here at $1 million a year that you will have to honor. So evil begets evil.

But I am not suggesting that Boone Pickens or Victor Posner or any of the rest of those guys are doing anything illegal, but I think it ought to be illegal.

ECONOMIC IMPACT OF CORPORATE TAKEOVERS

I was just wondering if the FTC has done any studies on what some of the economic impacts of these mammoth corporate raids are.

Mr. MILLER. Senator, I think it is important to stress the point you are making. That is, how a takeover takes place, whether green mail is involved or it isn't involved, or how the distribution of the so-called spoils goes, is almost always immaterial from the standpoint of the competitive impact under the antitrust laws, which is what we review at the FTC.

I agree also that some of the kinds of tactics you described are ones that raise questions.

I would say respectfully that I think the appropriate approach is to deal with the tax policies and other underlying sets of incentives, rather than placing a moratorium on some or all mergers. Keep in mind that although the hostile takeovers tend to get an extraordinary amount of publicity, the vast majority of takeovers do not include the kinds of shenanigans, if I could use that word, that are troublesome to most of us.

Senator BUMPERS. The thing that really troubles me is a guy like Boone Pickens can just go in there and can make a fake, like a basketball player faking a basket, and he walks away with $8 million for having scared everybody.

Senator RUDMAN. A little jealousy?

Senator BUMPERS. Yes. [Laughter.]

Those are my questions, Mr. Chairman. Thank you, Mr. Chairman.

Senator RUDMAN. Thank you, Senator Bumpers, and thank you, Chairman Miller. I appreciate your being here this morning.

SUBMITTED QUESTIONS

The committee will submit additional questions which will be inserted at this point in the record.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR LAXALT

WORKYEAR REDUCTIONS

Question: The Commission budget request represents a decrease of 44 workyears from the current level. In what areas will these reductions occur?
Answer: The reductions occur in our three missions as follows:

Missions	Workyear Reductions		
	Direct	Support	Total
Maintaining Competition......	8	12	23
Consumer Protection..........	8	15	20
Economic Activities..........	---	1	1
Total Reductions.............	16	28	44

Because approximately two-thirds of the reduction occurs in the support area, no adverse impact on the agency's enforcement efforts is expected. The direct program workyear reductions of 16 are spread to ten different programs. This broad allocation of the direct reduction means no single program will experience a significant cut in resources.

ECONOMIC ACTIVITIES MISSION REDUCTIONS

Question: Of the three divisions within the Commission staff structure -- Consumer Protection, Maintaining Competition, and Economic Activities -- the Economic Activities section is least impacted, with a reduction of one workyear. Are its programs more important than those in the other two divisions?

Answer: All three missions are vitally important to the work of the Commission. The Economic Activities Mission provides economic analyses on the full range of competition, consumer protection and regulatory issues before the Commission. Sections 6(a) and (f) of the FTC Act requires the agency to gather and compile information on the economy and to prepare special reports for the Congress and the public.

The smaller reduction in the Economic Activities Mission generally reflects the smaller relative size of that mission. The Economic Activities Mission has 78 workyears allocated to it compared to 1,134 workyears assigned to the other two missions. Thus, workyear reductions in this mission would be more difficult to absorb without impairing operations.

SPACE CONSOLIDATION

Question: The FTC has submitted a program supplemental request of $3.8 million for the consolidation of five satellite offices in Washington, D.C. What is the status of your negotiations with the General Services Administation in acquiring a new building? Will your FY 1986 budget require an adjustment if suitable space is not found? Please provide object class detail in this respect?

Answer: The General Services Administration is currently exploring several building locations suitable for consolidation of the Commission's five satellite offices. Negotiations with a building owner ended when the owner suddenly leased the space to a private firm in early February. We are hopeful that a satisfactory location can be found this summer. If this is the case, the pending supplemental request will be necessary.

If the space consolidation does not occur, the Commission's budget request for fiscal 1986 would require an additional $465,000 in Object Class 23.2; Communications, Utilities and Other Rents. This amount represents telecommunication savings that were anticipated in the fiscal 1986 budget.

PAY REDUCTION

Question: The budget request assumes a five percent reduction in pay for Federal employees. If this reduction is not enacted and the Commission is directed to absorb the difference, what impact will this have on staffing levels?

Answer: Absent the proposed five percent pay reduction, the Commission would operate at a level of approximately 1125 workyears compared to the 1168 contained in the FY 1986 budget request.

TAXICAB CASES

Question: What's the status of the cases pending against Minneapolis and New Orleans due to their alleged violations of Federal antitrust laws in regulating the taxicabs?

Do you intend to pursue taxicab investigations in other cities during the coming fiscal year?

Answer: After a change in state law, the New Orleans case was withdrawn from adjudication. A recommendation by the Bureau of Competition staff to withdraw the Minneapolis case is pending before the Commission.

We have no formal investigations of taxicab matters active at present, although our study of the industry is continuing. In particular we are paying attention to requests from local government officials who ask for our views regarding proposed taxi ordinances.

APPROPRIATION LANGUAGE

Question: Due to the lack of an authorization for the FTC, several provisos have been attached to the Commission's appropriation over the past few years. These restrict rulemaking in certain areas as defined by the FTC Improvements Act. If the Congress is unable to reauthorize the FTC this year, do you support retention of these provisions?

Answer: Yes.

TITLE INSURANCE

Question: Early in January, the Commission issued a complaint against six title insurance companies for allegedly fixing prices on title search and examination services, and on settlement services.

Does such action by the FTC represent a violation of the

McCarran Act, which exempts insurance from Federal Antitrust law when it is regulated by State law?

Answer: [This answer has not been reviewed by the Commission, but has been prepared by staff within the Bureau of Competition because it involves a matter in adjudication.]

The McCarran Act, in general, exempts the "business of insurance" from the antitrust laws to the extent that it is "regulated by State law." The Supreme Court has indicated that the "business of insurance" is a statutory term of art that does not encompass all activities of insurance companies, and the Court has provided criteria by which the term should be interpreted.

The Commission complaint alleges that search and examination services and settlement services do not constitute the "business of insurance" under these criteria, and that price fixing with respect to these services is, therefore, not exempt from the antitrust laws.

Question: Why did the FTC bring an enforcement action against the six title insurance companies, rather than a Statement of Enforcement Policy? The latter would have dissolved the rating bureaus used by the companies just as effectively, but would not have subjected the companies to treble damage suits for participating in State-approved regulatory programs.

Answer: [This answer has not been reviewed by the Commission, but has been prepared by staff within the Bureau of Competition because it involves a matter in adjudication.]

The Bureau of Competition believed that the Commission could not obtain and ensure effective relief in this case absent issuance of the complaint. Although the six insurance companies indicated that they would voluntarily withdraw from the rating bureaus if the Commission would withhold issuance of the complaint, the companies refused to enter into a formal consent order agreeing not to fix prices on search and examination and settlement services.

In 1977, the Commission formally revised its rules to delete provisions which previously had provided for voluntary assurances of compliance with the law under certain limited circumstances (which were not in any event met here). The rule revision was made because experience had demonstrated the inadequacies of monitoring and enforcing these voluntary assurances.

In this case, a number of additional factors were present that indicated an enforcement action was necessary. First, our investigation was conducted on a voluntary basis; and the voluntary approach was not completely successful in that the companies refused to cooperate fully with our request for information. Second, the companies to this day continue to maintain that the Commission is without jurisdiction to investigate any of their activities. Third, after the Ninth Circuit held that price fixing on escrow or settlement services in Arizona was unlawful, United States v. Title Insurance Rating Bureau of Arizona, 700 F.2d 1247 (9th Cir. 1983), the companies continued to fix prices on all or part of these services in other states. Finally, even though the companies were resigning from rating bureaus, it appeared that little, if any, independent analysis was being given to their "new" rate structures, and that the companies at times were simply "independently" adopting the rate structures upon which they had agreed with each other.

Finally, the private damage actions that followed in the wake of the Commission's enforcement action most likely also would have followed a public statement of the Commission that it viewed price fixing on search and examination services and settlement services to be unlawful.

Question: Who should define the "business of insurance"? The FTC? The Federal Courts? The Congress? Isn't judicial precedent unanimous that title search and examination are the business of insurance within the McCarran Act?

Answer: On January 7, 1985, the Commission voted to issue a complaint challenging certain practices of title insurance companies as violators of Section 5 of the Federal Trade Commission Act (Ticor Title Insurance Company et al., Docket No. 9190). Under the Commission rules of practice and procedure, this matter is currently in adjudication which is commonly referred to as Part III matters. Under the circumstances, it would not be appropriate for me to comment on issues related to the adjudication to avoid any appearance of prejudgment. For this reason I do not believe that it would be appropriate for me to respond to the above question at this time.

FOOD INDUSTRIES PROGRAM

Question: What is the present and future status of the food industries' program in the Bureau of Competition?

Answer: The status of the Food Industries' program remains unchanged, with the exception of a modest nine percent reduction in allocated resources from the current fiscal year to FY 1986. The specific subdivision of the Bureau of Competition that has chief responsibility for the program has been merged with another of the Bureau's subdivisions as part of a continuing program to reduce the number of such organizational (not program) units.

RETAIL GROCERY INDUSTRY HEARINGS

Question: With respect to the recently completed hearings held by the Commission on competitive practices in the grocery industry, please state what action the Commission is now taking with respect to investigating the predatory practices testified to at these hearings. When will the record of those hearings be published?

Answer: Over the past two years, the Commission has received complaints from grocery retailers and trade associations from several areas around the United States, including Indianapolis, about pricing practices in the retail grocery industry. Many of those complaints related to pricing by new-format warehouse stores that have opened in many cities, including Indianapolis, and the responses of existing retailers to that pricing. We have, however, observed that while the lower prices these stores offer trigger intense price wars in some areas, in other cities there is little market disruption. Therefore, the Commission determined to study the warehouse-store phenomenon more carefully in order better to understand the varying market reactions, rather merely open an investigation of one respondent.

The principal focus of the study is the effect that warehouse stores have on consumers. In addition, the Commission is studying whether market disruptions reflect the adjustment of the market to new, more efficient operations or instead reflect anticompetitive practices. Warehouse stores may often employ cost-saving features not used by conventional grocery retailers and may thus be able to sell groceries profitably at lower prices than can conventional grocery stores. If that is the case, warehouse stores benefit consumers by providing them with lower grocery prices over the long term. Although the hearings have now been concluded, the study is not yet completed. Commission staff is currently preparing requests for cost and operating data from hearing participants and other industry members that will provide information on these issues. If the study uncovers evidence meeting legal tests of predatory pricing, the Commission is prepared to take appropriate action.

The transcripts of the Commission's hearings are currently being corrected. The non-confidential portions of those transcripts, together with written submissions from industry members, will be placed on the public record as soon as the corrections are completed.

QUESTIONS SUBMITTED BY SENATOR HOLLINGS

BENEFITS TO CONSUMERS

Question: In your statement, you indicated the various activities that the FTC will be pursuing. However, you gave us no feeling of how effective the Commission will be. I recall Mike Pertchuk's testimony on March 5, 1980, wherein he outlined the major benefits to the consumer of the FTC actions. He mentioned General Motors paying $2,000,000 for illegally retained surpluses from selling repossessed cars; the FTC/HEW model state law on Generic Drugs that could save consumers as much as $400,000,000 a year; and their actions agaist Retail Price Fixing which drastically reduced the price of Levi Jeans and Florsheim Shoes, a $10,000,000 savings on the shoes alone.

There were several other times, but what can Chairman Miller give us as his list of benefits to the consumer since October 1981?

Answer: In the consumer protection field, the current Commission has targeted for special attention cases of outright fraud, a category of misconduct which costs consumers millions of dollars each year. For example, in the last two-and-a-half years the Commission has halted investment frauds that would have cost consumers $224 million if allowed to continue, and has obtained court orders freezing over 10 million dollars in assets. Recent efforts to combat investment fraud include the following:

- Eight investment fraud cases and 71 defendants under preliminary or permanent district court injunctions barring deceptive and fraudulent practices, including misrepresentations and non-disclosures of value and risk;
- Some $305,000 in redress funds secured for distribution in the oil and gas lottery area, with additional millions of dollars of one defendant company's assets frozen by court order for possible redress; and
- Over $6.7 million in redress funds secured for consumers in settlement of a case against the former largest seller of investment diamonds.

Other recent efforts to combat consumer fraud include:

- In the health care area, four defendants placed under district court temporary restraining orders barring misrepresentations of health diagnoses and a freezing of defendants' assets for possible redress in the sale of allegedly bogus hair analysis tests. (Commission's complaint charged that the tests, contrary to the defendant's claims, are inaccurate and therefore worthless to consumer.)
- In the real estate area, three defendants placed under a district court order freezing assets and enjoining the continuation of a scheme allegedly designed to defraud inner-city residents of their homes; and
- In the business opportunity area, a preliminary injunction and asset freeze against a firm selling plastic to manufacturing businesses on the allegedly false promise that it would provide customers for the products.

With regard to the Commission's maintaining competition mission, while we believe that the savings for consumers are very substantial, we also believe that assigning specific dollar values to them would be difficult to defend. Where we have prevented a merger which we show to have anticompetitive potential, for example, consumer benefit stems from avoiding a high probability of the extraction of economic rents from consumers. Predicting the size and persistence of such rents, however, would be subject to great uncertainty. Even more difficult to quantify would be the effect of diminished competition on innovation within an industry and the chain of benefits to consumers from such innovation which occurs after we have forestalled the anticompetitive merger.

It is also clear that consumers derive a substantial stream of future benefits in instances in which careful economic analysis leads us not to prevent a merger because it will, on balance, yield real efficiencies which lead to lower prices and more innovation. Quantifying these benefits, however, presents the same problems as in cases when we act affirmatively.

LOCATION OF REDUCTIONS

Question: How much of the 31 percent reduction in workyears has occurred in Washington and how much in the field offices?

Answer: Since the beginning of fiscal 1981, two thirds of the approximately 31 percent reduction in workyears occurred in Washington (or a reduction of 342 workyears) and one third in the regional offices (a 175 workyear reduction).

WORKYEAR HISTORY

Question: Please furnish for the record, an exhibit that shows, by FTC budget program, the workyears for fiscal year 1981, 1982, 1983, 1984 and the estimated number for 1985 and 1986. Please also furnish a distribution of the workyears for Washington and each field office for the same fiscal years.

Answer: The information follows:

A. Agency Workyears by Mission:

	1981	1982	1983	1984	1985	1986
Maintaining Competition...	749	673	590	548	545	525
Consumer Protection.......	752	674	643	612	589	566
Economic Activities.......	166	144	77	78	78	77
Total.....................	1667	1491	1310	1238	1212	1168

B. Workyears by Washington - Field:

	1981	1982	1983	1984	1985	1986
Washington................	1332	1214	1113	1066	1043	999
Field:						
Atlanta..................	30	24	19	19	18	18
Boston...................	28	21	16	18	16	16
Chicago..................	40	37	27	19	18	18
Cleveland................	35	28	20	16	18	18
Dallas...................	25	21	18	18	18	18
Denver...................	22	15	8	9	9	9
Los Angeles..............	34	29	20	19	18	18
New York.................	61	50	31	17	18	18
San Francisco............	30	26	21	19	18	18
Seattle..................	30	26	17	18	18	18
Field Subtotals.......	335	277	197	172	169	169
Total.....................	1667	1491	1310	1238	1212	1168

STAFFING LEVEL

Question: Mr. Miller, a cynic might wonder why you are seeking a $3,800,000 supplemental to consolidate your Washington "satellite" offices. You have reduced the staff by 31 percent in 4 years, and are forecasting a further decrease of 44 workyears in fiscal 1986. If we just let you keep going, you will soon have enough room at 6th and Pennsylvania for everybody! At what point do you think the FTC staff will have decreased to the optimum level?

Answer: The proposed workyear level of 1168 will be appropriate to accomplish our mission in both fiscal 1986 and for the future. We have worked hard over the past few years to find ways to increase our productivity so that we can still be effective with fewer employees. We feel our many efforts in this area have been successful.

MUNICIPAL REGULATORY MATTERS

Question: Last year we had quite a debate over the intrusion of the FTC into Municipal Regulatory Matters. The particular matter that aroused our interest was the suits the commission had brought against the cities' regulations of taxicabs.

What is the present status of those suits?

Outside of taxicabs, what other municipal actions are the FTC investigating or otherwise spending time on?

Answer: After a change in state law, the New Orleans case was withdrawn from adjudication. A recommendation by the Bureau of Competition staff to withdraw the Minneapolis case is pending before the Commission.

No other investigations currently underway involve cities. On a related matter, however, the Commission is investigating complaints of anticompetitive effects in the market for automobiles available for rental at airports. (Of possible interest is that several members of Congress have asked the FTC to look into such complaints.) Many airports are publicly owned.

REAUTHORIZATION OF THE FTC

Chairman Miller, I certainly share your interest in obtaining a new authorization for the FTC. I can attest that it is your "Number One Priority" as I recently received a letter from Alexander Trowbridge of the National Association of Manufacturers, who wrote apparently at your instigation. After last summer's fiasco with the calls to the editors, you will understand my feelings of being targeted again.

Question:

1. Mr. Chairman, have you had any reason to believe that the leadership of the Commerce Committee has delayed the authorization bill?

2. Mr. Trowbridge says that you want the FTC's funding completely shut off if the reauthorization bill is not enacted. No continuing resolution funding, no money, period!

   Isn't that an over-dramatic step to take? In fact, does it not reveal a hidden agenda to eliminate the FTC, by developing an unnecessary squabble over regulating the Professions or some other side issue that will delay the authorization.

Answer: The delay in the Senate of the FTC's reauthorization has been the result of a confluence of events and an assessment of legislative priorities. But surely everyone can relate to our feelings of disappointment and frustration. It is our fervent hope that all the problems and difficult issues affecting the FTC will be resolved expeditiously, so that we can go about our business of protecting the consumer and maintaining an open and free marketplace.

While we are certainly pleased that the National Association of Manufacturers strongly supports our reauthorization, we did not solicit their letter. We do not direct NAM's activities nor do they direct the FTC's.

Shutting off funding for the FTC if no authorization is forthcoming would indeed be a dramatic step but is certainly one way of bringing the reauthorization issue to the forefront. As I stated earlier, I can empathize with Mr. Trowbridge's disappointment and frustration with the delays in FTC's reauthorization.

Furthermore, I agree with Mr. Trowbridge that the uncertainty created in the absence of congressional direction is unfair to the members of NAM as well as to others in the private sector. It is also debilitating to the agency's morale and effectiveness.

There is no hidden agenda whatsoever. As you noted in your initial comments, reauthorization of the FTC is my number one priority this year.

PREDATORY PRICING

Question: Historically, the FTC's mere existence has had a deterrent effect on practices illegal under the antitrust laws, such as predatory pricing.

How many cases of predatory pricing practices have you investigated?

What is your budgetary program level for enforcement of such practices?

Answer: In the period Fiscal 1981 to date there have been eleven formal investigations in which the primary violation under review was predatory pricing.

There is no budgetary program devoted solely to predatory pricing, or which would include all such investigations. They might arise in Program DD (Distributional Restraints, 32 WY and $1,393,000), DA (Market Power, 12 WY and $545,000), or in one of the industry-specific programs.

RETAIL GROCERY INDUSTRY HEARINGS

Question: The FTC recently conducted hearings on possible anticompetitive practices within the grocery industry. What did you conclude from these hearings?

Answer: The Commission is studying the effects on consumers of new-format retail grocery stores. As part of this study, the Bureaus of Competition and Economics conducted 13 days of hearings in the fall of 1984 on pricing practices in the retail grocery industry. Fifty-six industry representatives testified at hearings in Milwaukee, Wisconsin; Atlanta, Georgia; Kansas City, Missouri; Sacramento, California; and Indianapolis, Indiana. Although the hearings have now been concluded, the study is not yet completed and no conclusions have been reached. Commission staff is currently preparing requests for more data from hearing participants and other industry members. After this information has been gathered and analyzed, the findings of this study will be reported to the Commission.

GUIDANCE TO NATIONAL GROCERS ASSOCIATION

Question: The FTC recently conducted hearings on possible anticompetitive practices within the grocery industry. As you know, the National Grocers Association wrote Mr. Muris after reading the staff comments following those hearings. They say they are unable to perceive any meaningful standards, relevant to future legal processes, which might guide them to evidential inquiries and submissions. What response has the Bureau of Competition given to their request for "concrete guidelines"?

Answer: The Commission does not have any specific evidentiary standards that are applicable to such cases generally, nor is there any specific evidentiary threshold that a complainant must meet in supplying information to the Commission. In each case, the Commission staff seeks to determine whether there is evidence that a violation has taken place and whether our taking issue with the violation would benefit competition and consumers. To make this determination, the Commission staff evaluates the facts available to it and consults the applicable law.

The Commission staff has met with the National Grocers Association on several occasions to discuss competition in the retail grocery industry. At a meeting on January 7, 1985, Commission staff outlined the process for initiating and conducting Commission investigations and referred the National Grocers Association to recent Commission and federal court decisions setting out the standards for proving allegations of predatory pricing. Later, the National Grocers Association wrote to the Commission staff expressing confusion about the relevance of these legal precedents to the initiation of Commission investigations. The staff responded in the attached letter to the National Grocers Association's remaining questions about the Commission's procedures for initiating investigations and explained the role of legal precedents in evaluating allegations of law violation.

PREDATORY PRICING INVESTIGATIONS

Question: The FTC recently conducted hearings on possible anticompetitive practices within the grocery industry. The National Grocers Association formally requested that the Bureau of Competition undertake an investigation of "alleged anticompetitive predatory practices now taking place in the Indianapolis area." Does the Bureau intend to pursue that investigation?

Answer: Over the past two years, the Commission has received complaints from grocery retailers and trade associations from several areas around the United States, including Indianapolis, about pricing practices in the retail grocery industry. Many of those complaints related to pricing by new-format warehouse stores that have opened in many cities, including Indianapolis, and the responses of existing retailers to that pricing. We have, however, observed that while the lower prices these stores offer trigger intense price wars in some areas, in other cities there is little market disruption. Therefore, the Commission determined to study the warehouse-store phenomenon more carefully in order better to understand the varying market reactions rather than merely open an investigation of one respondent.

The principal focus of the study is the effect that warehouse stores have on consumers. In addition, the Commission is studying whether any market disruptions reflect the adjustment of the market to new, more efficient operations or instead reflect anticompetitive practices. Warehouse stores may often employ cost-saving features not used by conventional grocery retailers and may thus be able to sell groceries profitably at lower prices than can conventional grocery stores. It that is the case, warehouse stores benefit consumers by providing them with lower grocery prices over the long term. The grocery study is providing information on that issue. If the study also uncovers evidence meeting legal tests of predatory pricing, the Commission is prepared to take appropriate action.

TITLE INSURANCE

Question: What is your view of the current need to maintain the exemption from the antitrust laws for the business of insurance, as embodied in the McCarran-Ferguson Act?

Answer: On January 7, 1985, the Commission voted to issue a complaint challenging certain practices of title insurance companies as violators of Section 5 of the Federal Trade Commission Act (Ticor Title Insurance Company et al., Docket No.

Commission's jurisidiction, stated that the amendment was directed at "self-initiated, nonenforcement investigations of matters which constitute the 'business of insurance.'" Senate Report at 15, accompanying S. 1991. The Senate Committee expressly stated that "the amendment does not affect the FTC's existing jurisdiction, as circumscribed by the McCarran Act, to conduct law enforcement investigations to determine whether conduct violates Section 5 of the FTC Act and to remedy such violations by any means authorized in the F.T.C. Act or other laws over which the Commission has jurisdiction." Id. The Commission's jurisdiction to conduct law enforcement investigations under Section 5, as previously, is to be determined by looking to the legislative history of the McCarran-Ferguson Act and the judicial decisions construing the Act's intent. Id.

The Commission has not recommended any change in statutory language regarding the McCarran-Ferguson Act.

Question: At the same 1980 hearing I alluded to earlier, Mike Pertschuk said that the FTC has "accepted all along, the McCarran-Ferguson Act restriction against federal regulation of insurance." He said that due to the 1980 FTC amendments that: "In the case of insurance, of course, we will do nothing." Why is it that Pertschuk, the so-called regulator, recognized congressional intents, and Miller, the deregulator, wants to enlarge the FTC's role in an area that Congress said is out of bounds?

Answer: [This answer has not been reviewed by the Commission, but has been prepared by staff within the Bureau of Competition because it involves a matter in adjudication.]

The current title insurance case is consistent with the quotation from former Chairman Pertschuk. The action against the title insurance companies is simply an antitrust enforcement action against price fixing on activities the Commission has alleged to be nonexempt. Antitrust enforcement actions against unlawful price fixing in any industry are necessary to allow markets to perform properly and should not be construed as attempts to regulate those industries. The legislative history of the 1980 Improvements Act makes clear that the Commission can continue to bring antitrust cases against practices that are not the "business of insurance." This legislative history is discussed in the answer to a previous question from Senator Hollings.

SECTION 7 OF THE CLAYTON ACT

Question: As you undoubtedly know, the Secretary of Commerce has proposed repealing Section 7 of the Clayton Act.

Mr. Miller, do you support repeal of Section 7?

What is the reaction of the Commission to Secretary Baldrige's proposal?

Answer: It is the view of the Commission, including its Chairman, that current standards for the enforcement of Section 7 strike an appropriate balance between the pro-competitive and anti-competitive potential of such transactions, and that the repeal of the section would thus be ill-advised.

DISTRIBUTIONAL RESTRAINTS

Question: Mr. Chairman, as you know, this Subcommittee has taken a deep interest in the prohibitions on resale price maintenance in effect under Federal antitrust laws. In the fiscal 1984 Appropriations Bill, a rider was added as Section 510 to prohibit the FTC or antitrust division from overturning or altering the per se prohibition on resale price maintenance.

In the justification, you propose to reduce the distributional restraints program by 3 positions and $126,000. What effect will the reduction have with regard to proper enforcement of the current law with regard to resale price maintenance?

Answer: This reduction, amounting to 8 percent in dollars and 9 percent in workyears, is expected to have no impact on such enforcement. This resource level will still exceed the amounts actually expended in the Distributional Restraints Program in the most recent fiscal year, 1984.

MATTERS INVOLVING INTRASTATE MOTOR CARRIER RATEMAKING

Question: The FTC has filed complaints against several motor carrier rate bureaus alleging that their intrastate collective ratemaking activities violate the Federal Trade Commission Act. The FTC's action parallels the action of the Justice Department in the Southern Motor Carriers Rate Conference case, which is now pending in the Supreme Court. There the Justice Department alleged that intrastate collective ratemaking violated the Sherman Act. The Supreme Court heard oral argument in the SMCRC case on November 24, 1984 and its decision is expected before July.

President Reagan has stated that the administration is strongly committed to the principle of federalism. [Most recently in a televised appearance before the American Trucking Associations membership on January 31, 1985]. The FTC and SMCRC cases challenge the federalism on which our governmental system is based. In the Interstate Commerce Act, Congress expressly authorized and immunized from the antitrust laws collective ratemaking when conducted in interstate commerce. (49 U.S.C. § 10706(b)). In that Act, it also expressly reserved to the states the power to regulate intrastate motor carrier transportation. (49 U.S.C. § 10521(b)). In exercising that power, the states have adopted provisions relating to collective ratemaking that in some cases are identical to, and in all cases are designed to parallel and complement the federal provisions relating to collective ratemaking. Thus, the basic question posed by these cases is whether Congress could have intended the antitrust laws to pre-empt state law, which it authorized the states to enact, which is modeled on federal law, and which is designed to carry out in intrastate commerce the same policy that federal law is designed to carry out in interstate commerce.

The intrastate activities complained of as illegal by the FTC staff have been established national policy for more than 35 years and are identical to the interstate activities of these same parties which has been specifically sanctioned and approved by this Congress. Given this situation, how do you justify the

FTC's intrusion and expenditure of substantial funds on such matters? What elements of the FTC cases are not involved in the pending Supreme Court Case?

Answer: [This answer has not been reviewed by the Commission, but has been prepared by staff within the Bureau of Competition because it involves a matter in adjudication.] Intrastate collective ratemaking, a classic example of price-fixing, causes substantial consumer harm. The cases do not contravene national policy -- the Sherman Act prohibits price-fixing, while the federal statute that allows collective interstate ratemaking does not apply to intrastate activities. Moreover, the Motor Carrier Act of 1980 has narrowed the extent to which even interstate rates may be collectively determined.

Although they involve several legal issues similar to those raised in United States v. Southern Motor Carriers Rate Conference, the FTC cases vary from Southern Motor Carriers in several important respects. First, the tariff bureaus charged with price-fixing are not the same; consequently, even if the Government had prevailed in Southern Motor Carriers, the bureaus named in the FTC actions would not have been bound by the result. Second, the FTC cases do not involve the same state laws that were involved in Southern Motor Carriers, nor is the extent of active state supervision of the rate bureaus' conduct necessarily the same. Thus, the applicability of the state action exemption will vary from case to case. This is an issue the staff is analyzing in light of Southern Motor Carriers.

Question: The FTC has refused to hold its proceedings in abeyance pending the outcome of the SMCRC case. In the New England Motor Rate Bureau case the FTC rejected requests to stay its proceedings with the cursory statement that "the pendency of a case dealing with similar issues is not sufficient grounds for staying or withdrawing a Commission proceeding." In contrast, the U.S. Court of Appeals for the First Circuit, in the appeal of the only FTC case involving collective intrastate ratemaking that has gone to trial, the Massachusetts Furniture & Piano Movers case, has announced that it will stay consideration of that appeal pending the outcome of the SMCRC case. These cases are costing the taxpayers money and costing the trucking industry money. Isn't it a waste of the taxpayers' money to proceed with these cases when there is a good chance that the Supreme Court case will nullify them? Isn't your effort also duplicative of the Justice Department's effort in the SMCRC case? Why is it necessary to have multiple agencies running multiple cases at the same time directed to the same issues? Doesn't this intrastate activity reflect a waste of Commission resources and federal funds?

Answer: [This answer has not been reviewed by the Commission, but has been prepared by staff within the Bureau of Competition because it involves a matter in adjudication.] As noted earlier, the Commission proceeded with its pending cases because it appeared very unlikely that the decision in Southern Motor Carriers would adversely affect those cases. Although the Supreme Court's March 27 decision may have established a fairly low threshold for a private defendant's satisfaction of the "clear articulation" prong of the state action defense, the staff will study carefully the applicability of the Court's "clear articulation" analysis to the pending FTC cases, as well as whether any respondent in the pending cases can establish adequate supervision by any of the states involved.

The Commission and the Department of Justice share antitrust jurisdiction, and occasionally the two agencies may bring cases that involve the same or similar types of antitrust violations. The enforcement of the antitrust laws by these agencies is efficient so long as the agencies coordinate their activities (which they have always done). The liaison arrangement between the Commission and the Justice Department ensures that either one agency or the other -- but not both -- will investigate or bring suit against a party. Even if the Government had prevailed in Southern Motor Carriers, an order would have been binding only on the defendants in that case. The Commission's complaints were aimed at price-fixing activities by an entirely different set of rate bureaus in a different region of the country.

Even though the Commission's cases challenge intrastate collective ratemaking, the Commission's efforts are aimed -- as in all FTC proceedings -- at the challenged activities' effects on interstate commerce. Remedying anticompetitive effects on interstate commerce is, of course, the essence of federal antitrust enforcement.

Question: It is obvious that the states involved have a vital interest in these cases. Each state has a policy of regulation of intrastate motor carrier rates within its jurisdiction. In light of changes in federal regulations, many states are now reviewing these policies. Why should the FTC interfere with these state matters at this time? Why should the FTC devote personnel and funds to these state matters?

In the SMCRC case, the District Court recognized the importance of the case to the states and permitted the National Association of Regulatory Utility Commissioners to intervene as a party defendant to represent the interests of the individual state commissions. Why then did the FTC vehemently oppose the intervention of the Pennsylvania Public Utility Commission in these cases when it sought to intervene in support of the motor carriers in Pennsylvania and characterized the FTC complaints as an "unwarranted interference with the efficient administration of motor carrier regulation in Pennsylvania"?

Answer: [This answer has not been reviewed by the Commission, but has been prepared by staff within the Bureau of Competition because it involves a matter in adjudication.] First, the FTC staff is unaware of any formal actions to change the regulatory scheme in any state affected by the Commission's cases.

Second, the Commission's cases do not challenge the regulation by individual states of intrastate motor carrier transportation. Rather, the cases challenge collective ratemaking by private parties through the vehicle of rate bureaus and tariff conferences. Issuance of the complaints was appropriate because the challenged conduct, if proved, would constitute price-fixing in violation of Section 5 of the Federal Trade Commission Act. See Georgia v. Pennsylvania Railroad Co., 324 U.S. 439 (1945).

Finally, the Pennsylvania Public Utility Commission ("PUC") moved to intervene in two FTC proceedings, Tristate Household Goods Tariff Conference, Inc. (Docket No. 9184) and Middle Atlantic Conference (Docket No. 9185). The PUC stated that it wished to intervene in order to present evidence of the expected effects of Commission orders prohibiting collective ratemaking. Complaint counsel opposed intervention by the PUC on two grounds. First, the alleged conduct in each case constitutes price-fixing, a per se violation of the antitrust laws, and complaint counsel therefore argued that the bulk of the evidence the PUC wished to introduce was irrelevant. Second, to the extent that the PUC raised relevant issues, complaint counsel took the position that the respondents would fully air them. The administrative law judge in each case granted the PUC's motion, and the PUC has since actively participated in each matter.

Question: The Federal Trade Commission Act specifically exempts common carriers subject to the Interstate Commerce Act from regulation or investigation by the FTC. (15 U.S.C. §§ 45(a)(2), 46(a)). Rate bureaus, such as New England Motor Carrier Rate Bureau and Middle Atlantic Conference, are ICC-regulated non-profit membership organizations of motor common carriers, the vast majority of whom are subject to the Interstate Commerce Act. It was stipulated in the Middle Atlantic case, for example, that of the 65 members that participate in the Conference's intrastate Pennsylvania tariffs, only three do not hold ICC authority. Isn't the naming of the bureaus as the subject of the complaints simply a sham? Isn't this merely a pretext to get around the flat prohibition in the FTC Act against investigating the carriers themselves who, after all, are the ones who engage in the collective ratemaking pursuant to their ICC approved rate agreements? Why has the FTC decided to become involved in tangential issues relating to these carriers at all?

Answer: [This answer has not been reviewed by the Commission, but has been prepared by staff within the Bureau of Competition because it involves a matter in adjudication.] As the Commission held in Massachusetts Furniture & Piano Movers Association, Inc., 102 F.T.C. 1176, 1212 (1983), only the motor carriers themselves -- and not their rate bureaus -- are exempt from FTC jurisdiction with respect to their interstate transportation activities. In any event, intrastate transportation -- even by carriers whose interstate activities are subject to the Interstate Commerce Act -- is explicitly excepted from the jurisdiction of Interstate Commerce Commission, 49 U.S.C. § 10521(b), and remains subject to the jurisdiction of the FTC. Id. at 1212-13. The complaints name the rate bureaus as respondents both because they are the mechanism through which collective ratemaking occurs, and because it is far more efficient to proceed against the rate bureaus than against hundreds of individual motor carriers. The Commission's involvement in these cases relates directly to the effect of rate bureaus' price-fixing activities on the competitiveness of intrastate motor carriage -- a concern of central importance to the FTC.

SUBCOMMITTEE RECESS

Senator RUDMAN. That concludes our hearing. The subcommittee will stand in recess until Wednesday, March 27, when we will hear testimony from the Board for International Broadcasting, the Arms Control and Disarmament Agency, and the Federal Communications Commission.

[Whereupon, at 11:25 a.m., Thursday, March 21, the subcommittee was recessed, to reconvene Wednesday, March 27, 1985.]

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1986

WEDNESDAY, MARCH 27, 1985

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:38 a.m., in room S–146, the Capitol, Hon. Mark Hatfield presiding.

Present: Senators Hatfield, Chiles, Bumpers, and Lautenberg.

FEDERAL COMMUNICATIONS COMMISSION

STATEMENT OF MARK S. FOWLER, CHAIRMAN, FEDERAL COMMUNICATIONS COMMISSION

ACCOMPANIED BY:
- EDWARD J. MINKEL, MANAGING DIRECTOR
- BERT HALPRIN, CHIEF, COMMON CARRIER BUREAU
- JIM McKINNEY, CHIEF, MASS MEDIA BUREAU
- RICHARD SMITH, CHIEF, FIELD OPERATIONS BUREAU
- BOB FOOSANER, CHIEF, PRIVATE RADIO BUREAU
- BOB POWERS, CHIEF SCIENTIST
- PETER PITSCH, CHIEF, OFFICE OF PLANS AND POLICY
- JACK SMITH, GENERAL COUNSEL
- BILL RUSSELL, DIRECTOR, OFFICE OF CONGRESSIONAL AND PUBLIC AFFAIRS
- MARILYN McDERMETT, ASSOCIATE MANAGING DIRECTOR, OPERATIONS.

BUDGET REQUEST

Chairman HATFIELD. The subcommittee will come to order.

Today we will examine the budget requests for the Federal Communications Commission, the Arms Control and Disarmament Agency, and the Board for International Broadcasting.

We will begin with Mark Fowler, Chairman of the Federal Communications Commission. The fiscal year 1986 budget request of the Commission is $92,285,000, a reduction of $1,326,000 from the currently enacted level.

PREPARED STATEMENT

Chairman Fowler, we welcome you here this morning. Your entire statement will be placed in the record. If you wish, you may summarize or highlight it, as you desire. If you will please present those who accompany you here today, we will proceed.

[The statement follows:]

PREPARED STATEMENT OF MARK S. FOWLER
CHAIRMAN
FEDERAL COMMUNICATIONS COMMISSION

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, I APPRECIATE THE OPPORTUNITY TO REVIEW WITH YOU THE FEDERAL COMMUNICATIONS COMMISSION'S FISCAL YEAR 1986 BUDGET ESTIMATES. WITH ME TODAY ARE SENIOR STAFF MEMBERS, INCLUDING: ED MINKEL, THE MANAGING DIRECTOR; BURT HALPRIN, CHIEF OF THE COMMON CARRIER BUREAU; JIM MCKINNEY, CHIEF OF THE MASS MEDIA BUREAU; BOB FOOSANER, CHIEF OF THE PRIVATE RADIO BUREAU; JACK SMITH, OUR GENERAL COUNSEL; RICHARD SMITH, CHIEF OF OUR FIELD OPERATIONS BUREAU; BOB POWERS, CHIEF SCIENTIST; PETER PITSCH, CHIEF, OFFICE OF PLANS AND POLICY; BILL RUSSELL, CHIEF OF THE OFFICE OF CONGRESSIONAL AND PUBLIC AFFAIRS; AND MARILYN MCDERMETT, THE ASSOCIATE MANAGING DIRECTOR FOR OPERATIONS.

OUR FY 1986 BUDGET ESTIMATES PROPOSE A TOTAL OF $92,285,000. THIS AMOUNT IS A DECREASE OF $1,326,000 FROM OUR FY 1985 APPROPRIATIONS TO DATE OF $93,611,000. OUR BUDGET ESTIMATES INCLUDE A REQUEST FOR 1,835 FULL-TIME PERMANENT POSITIONS, AN INCREASE OF 17 POSITIONS FROM OUR FY 1985 LEVEL OF 1,818. HOWEVER, OUR PROPOSED POSITION TOTAL IS A REDUCTION OF 140 FROM OUR FY 1984 LEVEL OF 1,975. WE ARE ALSO PROPOSING A FY 1985 PAY SUPPLEMENTAL OF $1,830,000.

I WOULD NOW LIKE TO BRIEFLY OUTLINE HOW OUR FY 1986 BUDGET WAS DERIVED. WE BEGAN WITH THE BASE OF OUR FY 1985 APPROPRIATION OF $93,611,000. WE FIRST REDUCED THIS BASE BY $2,795,000. THIS AMOUNT REPRESENTS OUR ONE-TIME COSTS WHICH WILL NOT RECUR IN FY 1986. WE THEN REDUCED OUR REQUEST BY $2,619,000 WHICH REPRESENTS THE SAVINGS FROM THE PROPOSED 5% CIVILIAN PAY REDUCTION TO BE EFFECTIVE JANUARY 1986. WE ALSO REDUCED OUR FY 1986 REQUEST BY $604,000 WHICH REPRESENTS EXPECTED COST SAVINGS FROM THE GOVERNMENT-WIDE PROGRAM TO REDUCE THE NUMBER OF GS-11/15 EMPLOYEES. FINALLY, WE REDUCED OUR REQUEST BY $549,000 TO COVER OUR SHARE OF THE ADMINISTRATIVE COST SAVINGS PROGRAM. NEXT WE ADDED $1,056,000 TO OUR REQUEST TO MEET EXPECTED FIXED-COST INCREASES IN FY 1986 AND

$2,427,000 TO FUND THE FY 1985 FEDERAL PAY RAISE. FINALLY, WE INCLUDED A SERIES OF PROGRAMMATIC INCREASES AND DECREASES WHICH TOTALED $1,758,000. I WOULD NOW LIKE TO TURN TO OUR PROPOSED PROGRAMMATIC INCREASES.

CABLE COMMUNICATIONS POLICY ACT

ON OCTOBER 30, 1984, THE CABLE COMMUNICATIONS POLICY ACT OF 1984 WAS ENACTED INTO LAW. THIS ACT IS INTENDED TO ESTABLISH A NATIONAL POLICY TO ENCOURAGE THE GROWTH AND DEVELOPMENT OF CABLE TELEVISION SERVICES AND TO ASSURE THAT CABLE SYSTEMS ARE RESPONSIVE TO THE NEEDS AND INTERESTS OF THE LOCAL COMMUNITIES THEY SERVE. THE ACT GENERALLY MAINTAINS THE PRESENT ROLE OF LOCAL GOVERNMENT IN THE FRANCHISE PROCESS. AT THE SAME TIME, IT CONTAINS SEVERAL REQUIREMENTS THAT ARE INTENDED TO ASSURE THAT CABLE SYSTEMS PROVIDE THE WIDEST POSSIBLE DIVERSITY OF INFORMATION SERVICES AND SOURCES TO THE PUBLIC. THE CABLE ACT ESTABLISHES RESTRICTIONS ON THE OWNERSHIP OF A CABLE SYSTEM, REQUIRES THE RESERVATION OF CHANNELS FOR COMMERCIAL ACCESS USE AND GRANTS AUTHORITY TO CITIES TO REQUIRE PUBLIC, EDUCATIONAL AND GOVERNMENTAL ACCESS CHANNELS. SIGNIFICANT RESTRICTIONS, HOWEVER, ARE PLACED ON THE GOVERNMENT'S ABILITY TO EXCERCISE EDITIORIAL CONTROL OVER THE CONTENT OF PROGRAMMING ON CABLE CHANNLES. FURTHER, LOCAL GOVERNMENTS' ABILITY TO REGULATE THE RATES OF "BASIC" CABLE SERVICE IS RESTRICTED AFTER TWO YEARS TO ONLY THOSE MARKETS WHERE THE COMMISSION HAS FOUND THAT THE CABLE INDUSTRY IS NOT SUBJECT TO EFFECTIVE COMPETITION. IN ADDITION, THE CABLE ACT REQUIRES THAT THE CABLE OPERATOR ESTABLISH A PROGRAM TO ENSURE EQUAL EMPLOYMENT OPPORTUNITIES.

THE COMMISSION IS REQUESTING 17 POSITIONS AND $607,000 TO MEET THE ADDITIONAL WORKLOAD GENERATED BY THE CABLE ACT. TWO POSITIONS ARE REQUIRED TO DEVELOP AND IMPLEMENT AN AUTOMATED FINANCIAL REPORTING SYSTEM FOR CABLE RATE REGULATION DATA AND TO ANALYZE THE FINANCIAL DATA TO DETERMINE THE EFFECTS OF COMPETITION IN THE CABLE TELEVISION MARKETPLACE. ONE POSITION IS REQUIRED FOR HANDLING THE ADDITIONAL FILINGS GENERATED BY THIS ACT. TWELVE POSITIONS ARE REQUESTED TO IMPLEMENT THE EEO PROVISIONS. THIS INCLUDES THE DEVELOPMENT AND IMPLEMENTATION OF AN EEO INFORMATION REPORTING SYSTEM, REVIEW AND CERTIFICATION OF EEO COMPLIANCE LEVELS FOR EACH CABLE ENTITY, PERIODIC

INVESTIGATIONS OF EMPLOYMENT PRACTICES OF ALL CABLE ENTITIES, AND RANDOM ON-SITE EEO AUDITS OF SELECTED CABLE ENTITIES. FINALLY, TWO POSITIONS ARE REQUIRED TO RESOLVE INITIAL DISPUTES BETWEEN CABLE FRANCHISORS CONCERNING CHANNEL CAPACITY FOR PUBLIC, EDUCATIONAL OR GOVERNMENT USE AND TO RESOLVE CABLE DISPUTES CONCERNING THE FACILITATION OF BASIC CABLE SERVICES FOR HEARING-IMPAIRED INDIVIDUALS.

MAIN COMPUTER UPGRADE

ONE OF OUR MOST IMPORTANT FY 1986 INITIATIVES WILL PROVIDE FOR THE ENHANCEMENT OF OUR MAINFRAME COMPUTER. THIS COMPUTER, WHICH HANDLES THE BULK OF OUR LICENSE PROCESSING, HAS BECOME COMPLETELY SATURATED DURING THE PAST 12 MONTHS. IT MUST ALSO ABSORB THE ADDITIONAL WORK ASSOCIATED WITH THE CABLE ACT. THE SATURATION CONDITION WILL, IF NOT CORRECTED, CAUSE SEVERE PROBLEMS FOR OUR LICENSING PROGRAMS. WE ARE THEREFORE PROPOSING THAT WE MOVE, ON A LEASE-PURCHASE BASIS, TO MORE EFFICIENT HARDWARE AND SOFTWARE WHICH SHOULD SEE US SAFELY INTO 1990.

IN ADDITION TO OUR MAIN COMPUTER UPGRADE WE ARE PROPOSING SEVERAL SMALLER COMPUTER SYSTEM EXPANSIONS OR IMPROVEMENTS WHICH ARE DESCRIBED IN MORE DETAIL IN OUR JUSTIFICATION. THESE PROPOSALS, WHICH INCLUDE A SYSTEM TO BEGIN THE AUTOMATION OF OUR NEW UNIFORM SYSTEM OF ACCOUNTS, ARE CONSISTENT WITH OUR PROGRAM TO MAINTAIN AND IMPROVE OUR PRODUCTIVITY AT A TIME WHEN OUR PERSONNEL RESOURCES HAVE BEEN REDUCED.

SABANA SECA FACILITY

OUR NEXT REQUEST IS FOR $391,000 FOR A NEW DIRECTION-FINDING FACILITY IN PUERTO RICO TO REPLACE OUR CURRENT FACILITY LOCATED AT SABANA SECA. CURRENTLY, WE SHARE THE DIRECTION-FINDING FACILITY AT SABANA SECA WITH THE NAVY DEPARTMENT. TO UTILIZE THE LATEST TECHNOLOGY THE NAVY HAS CHANGED THE EQUIPMENT USED TO CONTROL THE DIRECTION FINDER. IF THE COMMISSION WERE TO CONTINUE THE SHARING ARRANGEMENT AND ADOPTED A SIMILAR TECHNOLOGY WE WOULD NEED MORE THAN $500,000. GIVEN THIS SITUATION, WE DETERMINED THAT IT WOULD BE

COST EFFECTIVE TO OBTAIN OUR OWN PROPERTY AND BUILD A BASIC DIRECTION FINDING FACILITY AND OPERATE IT REMOTELY FROM OUR EXISTING SAN JUAN OFFICE.

RADIO MARTI

I WOULD NOW LIKE TO PROVIDE AN UPDATE ON A FEW KEY ONGOING PROGRAMS.

THE RADIO BROADCASTING TO CUBA ACT GIVES THE COMMISSION, IN CONJUNCTION WITH THE UNITED STATES INFORMATION AGENCY, ADDITIONAL RESPONSIBILITY FOR DETERMINING WHETHER AM RADIO BROADCASTERS ARE ELIGIBLE TO BE COMPENSATED FOR EXPENSES THEY HAVE INCURRED IN MITIGATING THE EFFECTS OF CUBAN RADIO INTERFERENCE. ON MARCH 15, 1984, A REPORT AND ORDER WAS ADOPTED IMPLEMENTING THE ACT. UPON RECONSIDERATION, THESE RULES WERE MODIFIED TO MORE ACCURATELY CONFORM TO THE CONGRESSIONAL INTENT OF THE LEGISLATION WITH RESPECT TO DEPRECIATION AND THE REIMBURSEMENT LIMIT FOR INDIVIDUAL STATIONS. CURRENTLY, THE COMMISSION HAS TWO CUBAN-RELATED REQUESTS FOR SPECIAL TEMPORARY AUTHORITY AND SEVEN REIMBURSEMENT APPLICATIONS IN PROCESS.

THE OFFICE OF MANAGEMENT AND BUDGET APPROVED AND INCLUDED IN THE FY 1985 BUDGET, SIX POSITIONS FOR RADIO MARTI. IN OUR FY 1985 BUDGET CONGRESS APPROVED AN ADDITIONAL FOUR POSITIONS TO ASSIST IN HANDLING CLAIMS AND STAS. TWO OF THESE POSITIONS ARE NOW FILLED BY ENGINEERS. THE BULK OF THE APPLICATIONS PROJECTED ARE EXPECTED IN RESPONSE TO THE COMMENCEMENT OF BROADCASTING BY RADIO MARTI ANTICIPATED FOR LATER THIS YEAR. OUR PLAN IS TO CONSERVE PERSONNEL DOLLARS BY DEFERRING FILLING THE REMAINING EIGHT POSITIONS UNTIL SUCH TIME AS THE NUMBER OF CUBAN INTERFERENCE RELATED APPLICATIONS WARRANT ADDITIONAL STAFF.

CELLULAR RADIO

WE CONTINUE TO MAKE SUBSTANTIAL PROGRESS IN OUR PROGRAM TO AUTHORIZE CELLULAR RADIO SYSTEMS. IN THE FIRST NINETY MARKETS WE HAVE AUTHORIZED SYSTEMS TO BE OPERATED BY WIRE-LINE CARRIER. IN 86 OF THESE MARKETS WE HAVE ALSO AUTHORIZED NON-WIRELINE CARRIERS TO OPERATE SYSTEMS.

In June 1984, we received 5,182 applications for markets 91 to 120, nearly ten times as many as in the prior round. The staff is screening these applications closely before they are accepted for filing. A substantial number of the applications are expected to be returned as mere "lottery tickets." The Commission has not yet announced a filing date for further markets.

I believe that our record shows real progress in this program.

Low Power Television

In our Low Power TV Program we have already authorized over 675 Low Power TV Stations and close to 6,000 TV Translator Stations. In March 1984 in response to a "cut-off" list for existing applications we received approximately 25,000 new applications. We have completed our preliminary processing of these applications and now expect to begin disposing of these applications through the lottery process. We hope to substantially decrease our pending backlog and increase the number of grants for both LPTV and Television Translators by the end of FY 1985.

We expect that during FY 1986 we will open a filing window for the remaining LPTV applications.

Access Charges

During the past year the Commission has continued its work on the Access Charge issue.

On July 27, 1983, the Commission adopted a Memorandum Opinion and Order (First Reconsideration Order) that modified the December 1982 access charge plan. In the first year, that charge was to be $2.00 for residential lines and $6.00 for business lines. The charge for residential access lines would rise to $4.00 per month in 1986, and would not exceed that level in subsequent years.

IN A SECOND RECONSIDERATION ORDER, RELEASED FEBRUARY 15, 1984, THE COMMISSION MODIFIED THE ACCESS CHARGE PLAN BY DEFERRING CUSTOMER LINE CHARGES FOR RESIDENTIAL AND SINGLE-LINE BUSINESS CUSTOMERS TO JUNE 1, 1985, PENDING FURTHER EXAMINATION OF A NUMBER OF ISSUES CONCERNING THE IMPLEMENTATION OF SUCH CHARGES, INCLUDING THEIR EFFECTS ON UNIVERSAL SERVICE AND SMALL TELEPHONE COMPANIES.

SHORTLY AFTER THE ISSUANCE OF THE SECOND RECONSIDERATION ORDER, THE COMMISSION ISSUED A FURTHER NOTICE OF PROPOSED RULEMAKING ON APRIL 11, 1984, REQUESTING COMMENTS ON FOUR ISSUES: (1) CUSTOMER LINE CHARGES FOR RESIDENTIAL AND SINGLE-LINE BUSINESS SUBSCRIBERS; (2) THE TRANSITIONAL MECHANISM FOR IMPLEMENTING SUCH CHARGES; (3) ASSISTANCE FOR LOW INCOME SUBSCRIBERS; AND (4) ASSISTANCE FOR SMALL TELEPHONE COMPANIES. AT THE SAME TIME, THE COMMISSION ASKED THE EXISTING FEDERAL-STATE JOINT BOARD TO PREPARE RECOMMENDATIONS CONCERNING THOSE ISSUES.

ON NOVEMBER 15, 1984, THE JOINT BOARD RECOMMENDED THAT THE COMMISSION IMPLEMENT LIMITED SUBSCRIBER LINE CHARGES FOR RESIDENTIAL AND SINGLE-LINE BUSINESS SUBSCRIBERS. UNDER THE JOINT BOARD PROPOSAL A $1.00 MONTHLY SUBSCRIBER LINE CHARGE FOR THESE CUSTOMERS WOULD BE IMPLEMENTED EFFECTIVE JUNE 1, 1986. THE JOINT BOARD RECOMMENDED THAT THE BASIC SUBSCRIBER LINE CHARGE FOR RESIDENTIAL SINGLE-LINE BUSINESS CUSTOMERS BE FROZEN AT $2.00 PER MONTH.

THE JOINT BOARD ALSO RECOMMENDED THAT A FURTHER JOINT BOARD PROCEEDING BE INSTITUTED IN LATE 1986 TO EXAMINE THE EFFECTIVENESS OF SUBSCRIBER LINE CHARGES. THE PURPOSE OF THIS PROCEEDING WOULD BE TO RECOMMEND WHAT, IF ANY, FURTHER STEPS SHOULD BE TAKEN BY THE FCC.

IN JUNE 1984, THE BASIC OUTLINE OF THE ACCESS CHARGE DECISION INCLUDING SUBSCRIBER LINE CHARGES, WAS UPHELD BY THE COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA. ON TUESDAY, FEBRUARY 19, 1985, THE SUPREME COURT DENIED A PETITION FOR CERTIORARI OF OUR ORDER.

WE BELIEVE THAT AS A RESULT OF OUR EFFORTS, ALONG WITH THOSE OF STATE GOVERNMENTS' THROUGH THE JOINT BOARD WE HAVE DEVELOPED A WORKABLE ACCESS CHARGE WHICH WILL PROVIDE IMPORTANT RELIEF TO THE TELECOMMUNICATIONS INDUSTRY.

FEE COLLECTION PROGRAM

FINALLY, I WOULD LIKE TO DISCUSS OUR PROPOSAL TO IMPLEMENT AN ADMINISTRATIVE FEE PROGRAM. AS YOU MAY KNOW, THE COMMISSION'S ORIGINAL FEE SCHEDULES, IMPLEMENTED UNDER THE AUTHORITY OF THE INDEPENDENT OFFICES APPROPRIATIONS ACT OF 1952, WERE OVERTURNED BY THE COURTS IN THE MID-1970'S. SINCE THAT TIME, THE COMMISSION HAS UNDERTAKEN AND ESSENTIALLY COMPLETED A PROGRAM TO REFUND THE PORTION OF THOSE FEES WHICH HAD BEEN IMPROPERLY COLLECTED.

IN RECENT YEARS WE HAVE SUPPORTED EFFORTS BY OUR AUTHORIZING COMMITTEES TO ENACT A NEW FEE SCHEDULE WITH THE FEE AMOUNTS FIXED BY STATUTE. THIS YEAR, AT THE REQUEST OF OMB, WE HAVE PROPOSED OUR OWN LEGISLATION TO ESTABLISH SUCH A SCHEDULE. WE BELIEVE THAT SUCH FEES CAN PROVIDE ADDITIONAL FUNDS TO THE GOVERNMENT FOR SPECIFIC SERVICES RENDERED, WITHOUT THE LEGAL UNCERTAINTY WHICH COULD OCCUR IF THE COMMISSION ATTEMPTED TO ESTABLISH A FEE SCHEDULE UNDER THE 1952 AUTHORITY.

IF OUR PROPOSED SCHEDULE WERE TO BE ENACTED WE EXPECT THAT IN ITS FIRST FULL YEAR OF OPERATION WE COULD COLLECT $46 MILLION OR 50% OF OUR FY 1986 BUDGET REQUEST. THIS ESTIMATE OF RECEIPTS WOULD VARY HOWEVER, DEPENDING ON THE ACTUAL NUMBER OF APPLICATIONS WE RECEIVE FOR OUR VARIOUS LICENSES.

I WOULD ALSO LIKE TO POINT OUT THAT OUR FY 1986 BUDGET REQUEST DOES NOT INCLUDE FUNDING TO DEVELOP AND IMPLEMENT A FEE COLLECTION PROGRAM. TO DO SO WE ESTIMATE THAT IF A FEE SCHEDULE WERE OPERATIONAL BY JULY 1, 1986, WE WOULD REQUIRE $1.6 MILLION AND 45 PERMANENT POSITIONS IN FY 1986 AND A TOTAL OF $1.1 MILLION AND 43 POSITIONS IN FY 1987. WITH THESE RESOURCE LEVELS WE BELIEVE THAT WE COULD IMPLEMENT AN EFFECTIVE FEE COLLECTION PROGRAM WHICH WOULD BE CONSISTENT WITH THE APPLICABLE GAO AND TREASURY REGULATIONS.

INTRODUCTION OF ASSOCIATES

Mr. FOWLER. Thank you very much, Chairman Hatfield and members of the subcommittee.

I appreciate the opportunity to review with you the Federal Communications Commission's fiscal year 1986 budget estimates. I have with me today senior staff members, including: Ed Minkel, the Managing Director; Bert Halprin, Chief of the Common Carrier Bureau; Jim McKinney, Chief of the Mass Media Bureau; Bob Foosaner, Chief of the Private Radio Bureau; Jack Smith, our General Counsel; Richard Smith, Chief of our Field Operations Bureau; Bob Powers, Chief Scientist; Peter Pitch, Chief Office of Plans and Policy; Bill Russell, Chief of the Office of Congressional and Public Affairs; and Marilyn McDermett, the Associate Managing Director for Operations.

Chairman HATFIELD. In other words, your office is closed this morning. [Laughter.]

Mr. FOWLER. It will be until 10:15.

FISCAL 1986 BUDGET ESTIMATES

Our fiscal year 1986 budget estimates propose a total of $92,285,000. This amount is a decrease of $1,326,000 from our fiscal year 1985 appropriations to date of $93,611,000. Our budget estimates include a request for 1,835 full-time permanent positions, an increase of 17 positions from our fiscal year 1985 level of 1,818. However, our proposed position total is a reduction of 140 from our fiscal year 1984 level of 1,975. We are also proposing a fiscal year 1985 pay supplemental of $1,830,000.

We have included a number of significant programmatic increases in this request.

PERSONNEL INCREASE

First, the Cable Communications Policy Act. The Commission is requesting 17 positions and $607,000 to meet the additional workload generated by the Cable Communications Policy Act of 1984. These positions are required to implement the act's EEO provisions, to resolve initial disputes, and to collect and analyze data on the effects of competition in the cable television market place.

MAINFRAME COMPUTER

One of our most important fiscal year 1986 initiatives will provide for the enhancement of our mainframe computer. This computer, which handles the bulk of our license processing, has become completely saturated during the past 12 months. We are therefore proposing an upgrade to our mainframe computer and enhancements to several smaller computer systems to take advantage of more efficient hardware and software which should see us safely into 1990. We are a strong proponent of using automated data processing to become more efficient and to cut down on our overhead.

Senator LAUTENBERG. Good.

NEW DIRECTION-FINDING FACILITY IN PUERTO RICO

Mr. Fowler. We are also requesting $391,000 for a new direction-finding facility in Puerto Rico to replace our current facility located at Sabana Seca. Currently, we share the direction-finding facility with the Navy. To utilize the latest technology, the Navy has changed the equipment used to control the direction finder.

If the Commission were to continue the sharing arrangement and adopted a similar technology, we would need more than $500,000. Given this situation, we determined that it would be cost effective to obtain our own property and build a basic direction-finding facility and operate it remotely from our existing San Juan office. Ed Minkel will make sure that is the case.

We are not simply doing it because we want to have our own equipment, which is sometimes the dynamic you see in some cases. That is not what is happening here.

I have provided in my more lengthy opening statement for the record an update on several ongoing programs of importance to the committee which I will not go into here. These programs include Radio Marti, cellular radio, which is telephones in cars, low-power television, and access charges.

ADMINISTRATIVE FEE PROGRAM

Finally, I would like to discuss our proposal to implement an administrative fee program. The Commission's original fee schedules, implemented under the authority of the Independent Offices Appropriations Act of 1952, were overturned by the courts in the mid-1970's. Since that time, the Commission has undertaken and essentially completed a program to refund the portion of those fees which had been improperly collected.

In the last few years we have supported efforts by our authorizing committees to enact a new fee schedule with the fee amounts fixed by statute. This year, at the request of OMB, we have proposed our own legislation to establish such a schedule. If our schedule were to be enacted, we expect that in its first full year of operation we could collect $46 million, or 50 percent, of our fiscal year 1986 budget request.

FEE COLLECTION PROGRAM

Our fiscal year 1986 budget request does not include funding to develop and implement a fee collection program. We estimate that if we had a fee schedule operational by July 1, 1986, we would require $1.6 million and 45 permanent positions in fiscal year 1986 and a total of $1.1 million and 43 positions in fiscal year 1987. With these resource levels, we believe that we could implement an effective fee collection program which would be consistent with the applicable GAO and Treasury regulations.

That concludes my abbreviated statement. I have a more comprehensive statement for the record, Mr. Chairman. If you have any questions, I would be glad to answer them.

RADIO MARTI

Chairman HATFIELD. Mr. Chairman, let me turn a moment to the question of Radio Marti. We have a lot of legislative rhetoric and record on that subject.

I note that the FCC is required by the act itself to determine whether commercial broadcasters are eligible for compensation, if there is proof that the Cubans have jammed the broadcasts of Radio Marti, and due to that, in 1984, two cases were filed. In fact, so far, I think seven have been filed this year. Is that correct?

Mr. FOWLER. Yes, sir, that is correct.

Chairman HATFIELD. For a total of many millions of dollars.

Mr. Chairman, why have claims been filed even though Radio Marti is not even on the air?

Mr. FOWLER. We have taken the position any Cuban interference to a broadcaster, whether or not Radio Marti is on the air, makes that broadcaster eligible for consideration by the agency. We have had instances of Cuban radio stations interfering with stations, mostly in Florida. We had some very difficult problems in Florida, during nighttime hours in particular, and particularly in the Miami area. It has caused injury, according to these applications that have been filed, and we are considering those claims. This obviously occurred prior to Radio Marti.

Chairman HATFIELD. Do you think that is a sound policy?

Mr. FOWLER. Well, I don't see how inteference prior to Radio Marti could not be subject to compensation but when Radio Marti comes on it is subject to compensation. I find it personally difficult to make a distinction.

Chairman HATFIELD. Do you think legislation is required to clarify this role of Federal compensation to be paid perhaps to only those stations that are directly affected?

Mr. FOWLER. If I could, Mr. Chairman, I would like to ask Mr. McKinney, Chief of the Mass Media Bureau, to answer that. He has been closer to that issue.

Mr. MCKINNEY. Mr. Hatfield, it is very difficult, it seems to me, to define directly what the effect is. I will explain why.

If, in fact, you are in Cuba and you are upset with broadcasting specifically from Radio Marti on 1080 Khz, you may choose to attempt to jam that channel or you may choose to jam other channels, not 1080 at all, but other frequencies within the AM band. Then it seems to me it would be very difficult to determine whether the interference was directly related to Radio Marti or whether it was secondary.

It appears to us that the Congress intended that those kinds of activities out of Cuba, as a result of activities out of the United States, are the ones that should be compensated, not just those related specifically to operation on 1080.

LOW-POWER TELEVISION

Chairman HATFIELD. Let me turn to one other question regarding the backlog on the applications for low-power television translator applications. What about that backlog? What has generated that type of backlog?

I see that you really don't project any kind of major reduction in that backlog.

Mr. FOWLER. It is basically that we had a "gold rush". Everybody wants to own a low power television station. So, typically, for a channel we might get a hundred applications. All of them have to be processed. When we opened the window last time, Senator, we had about 25,000. Was that the correct number?

Mr. MCKINNEY. We placed 2,500 on cutoff and those encouraged the filing of 25,000 competing applications at one time.

Mr. FOWLER. The applicants wanted to compete with those 2,500 we put out on public notice.

We are making good progress, I think. It is complicated because you have a chain in effect all across the country. If you put one on one channel, it means that another channel can't go someplace else. You have what we call daisy chains. Computers have to become involved in this to sort them out and determine which ones go into which lotteries. We are using the lotteries, not comparative hearings.

So far, and I believe this is very, very rough—Jim, you can correct me—about 500 low powers have been granted?

Mr. MCKINNEY. Actually, over 700 low powers and about 5,000 translator stations have been granted so far.

Chairman HATFIELD. Let me take that one step further and be parochial for a moment. Out West there is a very definite attempt on the part of the public broadcasting to extend this service into the rural, less populated areas. As you know, the Commerce Department offers a grant program to those groups that want to do this.

Let's add a further dimension. There is a noncompetitive situation involved. It is not public broadcasting, it is not going to be anything, but before they can qualify for that grant with Commerce, they have to have a license from your agency. So they are in a catch-22 situation. They are caught up with all of this 50,000 backlog.

Is there a way you can extrapolate, perhaps, at least for the sake of public broadcasting, and handle those in a little different manner than just having them stand in line waiting their turn along with those which are competing for a license?

Mr. FOWLER. It is kind of tough because they all technically look the same. Whether it is a public station or whether it is a commercial station, they all have the capability of interfering one with the other. It is therefore very difficult to pull some out of line and grant them first without totally obliterating others who have filed on channels that would be subject to mutual interference.

So if you grant all public broadcasting, you wipe out low power television in the commercial sector for large areas of the country, perhaps most areas of the country.

TRANSLATOR SERVICE/LOW POWER SERVICE

Mr. McKINNEY. I would point out one other factor. You know, the Commission has twice considered in the past year possibly drawing a distinction between translator service and low power service. It chose again on reconsideration this year not to do it.

It chose not to do it for two reasons. One, to draw a distinction would force us to build a barrier between translators and low-power operations, whereas today they can easily transfer one to another.

As an example, if you get a license for a low-power television station today, you may, simply by filing a letter with the Commission, become a translator on a full-time basis, or you may translate most of your schedule and only do local programming a part of the time.

If we were to treat them differently at the application stage, we would then have to treat them differently at the operational stage and there would not be that flexibility. Indeed, we think that would harm the translator service in the final result.

LOW POWER TELEVISION

Chairman HATFIELD. So it just won't work?

Mr. McKINNEY. It would be possible to do, but it would, in the final analysis, in our view, damage the translator service more than it would help the specific instances that I know you are concerned about and that we, too, are concerned about.

The best thing for us to do to encourage the use of translators for public television stations is to pursue very aggressively the applications we have and to control the workload. That we think we will have under control in 1986.

We do have new processes going in, new ways of handling the applications. We have granted in the past year over 2,000 stations. We think that the matter will be resolved within the coming year.

Chairman HATFIELD. We have some other questions that we will submit to you for the record that I would like to have you respond to as well.

The Senator from New Jersey?

Senator LAUTENBERG. Thank you, Mr. Chairman.

TRADE RESTRICTIONS

Mr. Fowler, we had a chance to chat briefly about a particular concern of mine. That has to do with our inability to freely access the marketplace in Japan while in turn we have opened the doors to, frankly, a gold mine here.

Mr. Chairman, I don't know whether you heard me cheer Mr. Fowler on before when he talked about turning to more automated data processing. The name of my company was Automatic Data Processing. [Laughter.]

Mr. FOWLER. Well, it is close.

Senator LAUTENBERG. Mr. Fowler, I am interested in the work of the FCC. We are now deeply in the information age. Your agency plays a major role in shaping our policies. There are a lot of issues I would like to explore, but we don't have the time.

What I want to discuss this morning is telecommunications trade. As you know, we went from a $200 billion surplus in 1982 to something over a billion dollar deficit in telecommunications trade in 1984.

The major cause is quite clear. The divestiture of AT&T and deregulation have opened up a bonanza for anybody who wants to supply this marketplace. I think the equipment market of AT&T's old operating companies now is probably in the range of $10 billion in size alone.

On the other hand, I don't understand it. The Japanese persist in soothing us with words and not permitting us to go ahead freely to compete. I for one am not willing to accept the disadvantage. I was terribly disappointed that the President, in his decision to drop the voluntary restraints, didn't wait to hear from our friends abroad a commitment to open the doors and take a chance we can compete on quality and price.

I have a few questions that I would like to run through with you. It should require fairly short answers.

One I think concerns the obvious. I just want to make sure the record reflects that we have the most open market. Do you agree we have the most open telecommunications market in the world?

Mr. FOWLER. I don't know of any other that is more open.

Senator LAUTENBERG. Does any nation have a procedure for certifying equipment as objective or nondiscriminatory as ours?

Mr. FOWLER. We haven't taken an official survey, but I will say we use roughly two people to administer our entire program. Within 45 days, and typically far less than that, pieces of equipment are registered and ready to go on the market. We handle thousands of pieces every year.

Indeed, as you might have read, I commended this to the head of the Japanese telecommunications ministry as a possible model for them when we were over there in Tokyo in July of last year. It takes very few resources. It is very efficient and very quick and things get on the market, which is in the interest of consumers.

Senator LAUTENBERG. I am surprised they didn't take a picture of the office and duplicate it. [Laughter.]

I was in Tokyo in June and spoke to a telecommunications conference there about the MITI proposal that software products be subject to compulsory license, and denied copyright protection. I objected. My comments were not received enthusiastically, but apparently they decided to drop that proposal. There was a lot of pressure on them to do so.

There has been discussion that the Japanese would delegate some certification of some equipment to a board comprised of representatives of Japanese industry. Do we have any industry representatives over on M Street implementing part 68?

Mr. FOWLER. No, sir.

Senator LAUTENBERG. It is done by the two people?

Mr. FOWLER. Yes.

Senator LAUTENBERG. There has been discussion the Japanese would impose standards that go beyond protecting the integrity of the network. Do we have any standards like that?

TRADE RESTRICTIONS

Mr. FOWLER. No. Our standard is harm to the network.

Senator LAUTENBERG. There has been discussion that the Japanese would impose lot approval so each shipment would have to be certified instead of approving the type of equipment. The Japanese may have backed off on that. But what kinds of approvals do we have here, or do we strive for?

Mr. FOWLER. It is blanket for that type.

Senator LAUTENBERG. Have the Japanese backed off in terms of their proposal to certify by lot?

Mr. FOWLER. Yes, my understanding is that they have.

Senator LAUTENBERG. Do we have official notice of that?

Mr. FOWLER. I haven't had any official briefings yet. I have only read about this, as you may have, in the paper. But I have not had any official briefings from Commerce yet. I suspect I will. I will be meeting with Secretary Baldrige very shortly.

Senator LAUTENBERG. I would, of course, like to hear anything you get by way of official notification.

Mr. FOWLER. Yes.

Senator LAUTENBERG. Also, there has been discussion that the Japanese would require providers of value-added network to register certain services and divulge in advance marketing information, type of products, et cetera. What kinds of requirements do we have like that?

Mr. FOWLER. None.

Senator LAUTENBERG. There has been a concern that the newly privatized NTT will cross-subsidize its private ventures with monopoly profits. Is AT&T allowed to do that?

Mr. FOWLER. We have data that assures us that that has not happened.

Senator LAUTENBERG. Do you agree that even given what we know about the proposed telecommunications regulations in Japan, that American industry will not have the same access to the Japanese market that Japanese industry has to ours? Is it fair to say that?

Mr. FOWLER. I am not sure that I can make that judgment because I am not sure the Commission has the necessary trade expertise. But there is certainly a consensus building in Washington with that view. Senator Danforth has been known to have a special interest that that is the case. That goes to the point that I wanted to make.

You are absolutely right, Senator, that we ought to be concerned about assuring equal treatment for American companies and should enjoy the same openness in the Japanese market as they enjoy in our market.

Further, in response to concerns of Senator Danforth and others, I directed our staff to look into how we could change the Part 68 program.

Senator LAUTENBERG. I have a suggestion for you.

Mr. FOWLER. Yes, sir.

Senator LAUTENBERG. Expertise lies really on your side of the table. But I think the administration of the program could be facilitated. You have two people working on certification right now?

Mr. FOWLER. Yes, sir.

Senator LAUTENBERG. Are they pretty busy?

Mr. FOWLER. They are pretty busy, yes, sir.

Senator LAUTENBERG. What would happen if we cut the staff in half for that? [Laughter.]

Mr. FOWLER. Well, it would certainly slow down the registration approvals. The problem would be that you would probably also hurt American companies.

Senator LAUTENBERG. Maybe we would only have to do it for a short while, to give the other person a rest.

Mr. FOWLER. I think the one thing we are looking at in the study is basically what you are alluding to. Is the agency utilizing the Part 68 program, upon certification by the trade agencies, the STR or Commerce, to put people in different classifications and process according to country. So that is parallel to your comments, I think.

TRADE RESTRICTIONS

Senator LAUTENBERG. What I am trying to do is to make sure that our trading friends understand that we are serious about this, that trade flows two ways, that we are not going to sit by idly while they pick off the most attractive parts of our market.

When I was in Tokyo in June, I spoke to the head of NTT there and he was pleased to tell me that there had been a contract executed with AT&T for $100 million and that showed how open the trade position with Japan will be. That is out of roughly $3 billion worth of procurement. That is not a lot of business. Here we are already $1 billion in deficit in telecommunications trade.

Talking about restrictive markets, Japan's is an easy one to look at. What about Europe? Is that as tight as Japan?

Mr. FOWLER. There are some countries that, for example, have laws on the books that specify that no foreign equipment can be attached to the domestic network.

Senator LAUTENBERG. So in some cases it is much more restrictive?

Mr. FOWLER. Some would certainly ascribe to that, yes.

Senator LAUTENBERG. Do you think we ought to try to do something about that to make certain there is an opportunity for U.S. companies to do business?

Mr. FOWLER. It seems to me on its face that makes a lot of sense. For far too long we have been very passive, kind of open, and we are depending on good will. I think what you are suggesting is that perhaps further and stronger and stiffer actions will be required.

The other thing I would say is what we do will be done only after careful consultation with key Members of Congress. We will consult with you on anything that we are considering doing regarding Part 68. We do not want to do this without very careful consultation with the experts, both on the Hill and in the executive branch. We are not trade experts. I just want to make that clear for the record.

Senator LAUTENBERG. I appreciate that. You know I have been concerned about this problem. Am I running out of time, Senator? I am not running out of ideas. [Laughter.]

Chairman HATFIELD. You may proceed. We will recess for lunch. [Laughter.]

Senator LAUTENBERG. Give me that other book over there. [Laughter.]

I have been interested in this problem for a long time, and you know I did join with Senator Danforth in sponsoring legislation last year. I have written letters to the President and USTR and, as I indicated, made speeches in Japan. But I have to tell you, we can't continue in the conversational mode. We have to get into action here someplace.

I have been looking for a way to act in this subcommittee, action that could reach the President's desk quickly. If last year's Commerce appropriations bill is any indication, we can act quickly. I have raised the idea with you that may be a way to take action.

I, frankly, would prefer not to restrict the operations of your agency. You have an important responsibility.

I have had other witnesses that we talked to here, with agencies that have critical functions to perform, and we continue to squeeze on salaries and we continue to squeeze on staffing, and at some point I think we run the risk, Mr. Chairman, of demoralizng organizations. A lot of people with highly professional training have many options available to them. I don't know if you can continue to squeeze the apple dry.

But I would say that with the excess of personnel, you have two people in this department, that we have to think of perhaps cutting back, as I suggested to you. [Laughter.] I just don't like to see all those folks sitting around not doing anything.

If we did slow down, you said it might impair the opportunity of American companies to do some business. What would be the effects there, on the equipment that has to be reviewed?

TRADE RESTRICTIONS

Mr. FOWLER. There would be two effects. One would be if you are slowing it down generally, those American companies still are required to register certain equipment before it can be connected to the public telephone network. Therefore, any slowdown would affect them as well. Or, if we decided we were going to discriminate against Japanese components, most everything, as you may know, produced by American manufacturers has either significant amounts of Japanese components or at least some. So that makes it somewhat difficult there.

It seems to me that what is required is a careful analysis of how we can, by categories or classes, treat people in different ways depending upon certifications from trade experts. I am going to have a study presented to me soon. I have no idea what it says.

Senator LAUTENBERG. How long will it take the FCC to revisit certification procedures?

Mr. FOWLER. We would have to have a rulemaking. If we decided, let's say in April, that a rulemaking were desirable, we could have it in by the end of the summer or earlier.

Senator LAUTENBERG. Meanwhile, products would continue to flow in?

Mr. FOWLER. We certainly would do it, as you suggest, on an expedited basis.

Senator LAUTENBERG. Have you been investigating any other options that the Commission has now available to respond to closed markets abroad?

Mr. FOWLER. Part 68 has been our primary focus. Bert just indicated to me we could enact an emergency rule if we wanted to. That is a possibility. I haven't had a chance to talk to him yet, but it could be seen as requiring that kind of a response. If we are not getting full and open treatment, maybe that might be suitable for emergency action. That would mean we could do it much faster.

Senator LAUTENBERG. Chairman Fowler, I believe you are willing to work with me and the committee to explore the options to address the problem of telecommunications trade. I think we share the same goal, and that is to open markets abroad. I don't want to discriminate against imports. I think we ought to have free, open trade. I think the United States can compete very effectively. I appreciate your willingness to examine this problem and stay in close touch.

Mr. Chairman, I thank you for your patience here. This is a problem of, I think, enormous proportion because we are now fully into the information era. The United States has an advantage in new technologies and good product quality, and we are running up against trade barriers abroad in so many places. Here we sit like the good guys in the brawl and we are taking the punishment. Our companies are discriminated against. Our jobs are threatened. Our development is curtailed as a result of unfair policies by others.

How we get at it I am not sure, but I am going to keep chipping away at this thing until our trade partners understand the message very loud and very clear: the United States is not going to sit back.

Thank you very much.

Chairman HATFIELD. Senator, I appreciate your contribution. This is indeed an important issue that is an integral part of our focus today on deficit reduction, as any other part of that problem. It is very fundamental. It is a problem we face.

With all the automobile manufacturers in my State, I applaud the President lifting the quota on Japanese imports, but I didn't see what we got in response. That bothered me. I think we need a rebirth of the

Yankee trader and the Yankee policy that recognizes the discrimination in other markets. We have been very generous in opening ours, but they have been less generous in responding. I applaud your efforts in this area.

MEDIA MERGERS

One last question, Chairman Fowler. That relates to the agreement that we reached with the congressional leadership last year on the matter of media limitations and parameters, that a major media can operate 12 stations for not more than 25 percent of the national viewing audience.

In the recently announced merger of ABC with Capital Cities, is that a problem? Is there a violation of that rule that this merger would represent? If so, what are you doing about it and what are the standards of divestiture you are applying?

Mr. FOWLER. The merged company in this instance cannot, absent waivers from the agency, continue to keep all of the properties they have. The rule of 12 will not permit it to keep the television stations the two entities have. We have a prohibition against networks owning cable television stations. Capital Cities, cable television systems with 340,000 subscribers, will have to be divested absent a waiver request.

Senator LAUTENBERG. Excuse me. How many systems is that?

Mr. FOWLER. I think it is about 50.

Then we have rules against owning, for example, a VHF station and an AM or FM station in the same market. ABC has properties that were grandfathered at the time some of those rules were promulgated. But with the change in ownership, grandfathering, at least according to the normal way we would apply our rules, would not be appropriate. There is no need to grandfather when there is a new owner. Like any other circumstance where a grandfathered combination is being transferred to another player, we require those be split. So, on the face of it, there are some divestitures required.

Now, I did hedge some by saying obviously if they filed waivers. My view, however, is I will not be very receptive personally, one vote, to any waivers. We have these rules. They are in place. Absent a strong and compelling reason why they ought to be waived, my view is they ought not to be.

Chairman HATFIELD. Is there a timeframe in which they have to file such waiver requests?

Mr. FOWLER. They have to file them essentially, Mr. Chairman, at the time they file their applications.

Chairman HATFIELD. What is that timeframe?

Mr. FOWLER. Is it perhaps May?

Mr. MCKINNEY. They are not required to file until the actual transfer is ready to take place. Then they file a proposal as to how they will meet the rules at that point.

Chairman HATFIELD. You think that will not occur until when?

Mr. FOWLER. I have heard May or sometime in late April. We can only guess when they choose to file.

Chairman HATFIELD. Then you have not worked out any kind of a deal?

Mr. FOWLER. Oh, no, indeed. We won't even know what they are proposing until they file. I don't think it would be appropriate for us to have——

Chairman HATFIELD. Have you discussed this particular matter with any of their representatives?

Mr. FOWLER. No, I have not, sir. I am not sure about our staff.

Chairman HATFIELD. This story is incorrect then?

Mr. FOWLER. I don't know what it says here.

Chairman HATFIELD. Those two underlines.

Mr. FOWLER. I think in the first one they refer to the deal that Goldenson and Murphy have worked out. I can assure you none has been worked out with us.

No schedule for complying with FCC rules was discussed, that is correct. But there was no discussion at all, at least as far as I was concerned.

Mr. MCKINNEY. Mr. Chairman, there have been no staff discussions either.

MEDIA MERGERS

Mr. FOWLER. It would certainly be appropriate for them to come in and informally ask what would be the staff proposal. That has happened before.

Chairman HATFIELD. Waivers have been filed before?

Mr. FOWLER. Indeed they have.

Chairman HATFIELD. What has been the action of the Commission in those cases?

Mr. FOWLER. We have never waived the multiple ownership rules as they relate to television.

Chairman HATFIELD. If you were to receive such a waiver request at this time, and if the scenario, hypothetically, were that you were to grant it, would it be a precedent that you would be establishing?

Mr. FOWLER. It would be precedential.

Chairman HATFIELD. So it would be violating the precedent that existed.

Mr. FOWLER. Sometimes there is a waiver request filed by an applicant where the waiver justifies the purpose of the rule. Circumstances do arise like that. I don't, from what I know of this deal now, see that circumstance attending this proposed transaction. But I want to reserve the right to look at everything they file and act on it.

Chairman HATFIELD. You would be prone at this point to maintain the precedent the Commission has established?

Mr. FOWLER. Not only prone but dedicated to it.

Chairman HATFIELD. Good. You don't need to be reaffirmed on that.

Mr. FOWLER. But it helps.

Chairman HATFIELD. I would certainly underscore that wisdom of your policy.

Mr. Fowler. Thank you, Mr. Chairman.

PART 68 CERTIFICATION

Senator Lautenberg. Just a couple of things, Mr. Chairman, very quickly.

Can you keep us abreast of what you are doing with respect to certification so that in advance of the markup we know where you stand?

Mr. Fowler. Yes, indeed. I will personally contact you and brief you, sir, when we get to decision time.

CHILDREN'S TELEVISION

Senator Lautenberg. One other subject, Chairman Fowler, I would like to open up. I have been concerned, as I hope you know, about the broadcasters' commitment to meeting the needs of children in the viewing audience. The FCC closed its rulemaking proceedings on children's TV. I was disappointed with that. Does the FCC still reaffirm the broadcasters' duty to serve the public interest, including children?

Mr. Fowler. Yes.

Senator Lautenberg. What do you do to enforce this duty of the broadcasters?

Mr. Fowler. When their licenses come up for renewal, they must make a showing they have provided programming suited and targeted to the needs of children. This, we made very plain in our order, is a duty that cannot be somehow delegated away by pleading other media do the entire job in the market. But we did say that we would take into account what other media are doing, including cable television, in determining what the broadcaster does and how much he does. So he does have that discretion.

We are pleased that the Court of Appeals upheld that decision. It is a difficult area, as you know, because all of us want good children's television. The difficulty in mandating specific amounts or kinds of programming is, as the court has reminded us on several occasions, we may run afoul of the first amendment. That is also a core freedom that is important to everybody, including our kids and their futures.

So we have to walk kind of a tightrope on matters involving programming that we might find desirable, as in the case of children's programming. I think we took a very sensitive approach because we did not say they had no duty and, to the contrary, we said they had a duty, and if they ignored that duty, they did so at their own peril at license renewal time. That language is quite strong. But it does give them a great deal of flexibility, Mr. Chairman, in what they provide and when.

Senator Lautenberg. There is a public resource that is being consumed, the airwaves, as broadcasters send their message out. What we see certainly doesn't suggest that there is a sufficient amount of let me call it "education enhancing" TV product for children.

Many other countries, as you know, mandate or, if not mandate, have as a particular part of their planning, a significant part, children's educational enhancing programs. We have very little of it. What we have is usually restricted to public broadcast stations.

I can expect to continue to pursue this, Mr. Fowler, and I think it is an important responsibility we have. Children of school age often spend much more time in front of the TV set than they do in the classroom. It seems to me there is very little they walk away with that has any permanent value, that challenges their thinking or that improves their educational standard.

Again, the airwaves are a resource that broadcasters take advantage of. It is a good marketing tool and it sells lots of products. In return, I think there is a responsibility to communicate the kind of material that would ultimately be beneficial, as opposed to simply satisfying the babysitting requirement. I will continue to look at this issue.

How much staff resources are devoted to the certification, to review of the duty that you suggested?

Mr. McKINNEY. I would say roughly 30 work-years devoted to the renewal of television licenses. The entire television area ranges about 60 work-years. I suspect it is about half.

That amount has declined recently because the renewal period was extended from 3 to 5 years by act of Congress. That is a rough guess.

Senator LAUTENBERG. Thank you, Mr. Chairman.

Chairman HATFIELD. Thank you very much, Mr. Chairman, gentlemen. We appreciate your presence here this morning.

Mr. FOWLER. Thank you very much, Mr. Chairman.

SUBMITTED QUESTIONS

Chairman HATFIELD. The committee has additional questions which we will submit for your response. They will be inserted in the record at this point.

[The following questions were not asked at the hearing, but were submitted to the agency for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR LAXALT

COMPUTER RESOURCES

QUESTION: The 1986 budget indicates that FCC and especially the Private Radio Bureau is increasingly dependent on computer technology, both hardware and software. A number of system development projects are planned or underway. The following questions relate to how FCC manages its computer resources.
How much does FCC spend annually in computer resources - hardware, software, and personnel? Include both administrative and program systems.

ANSWER: The FCC's Information Resources Management budget includes hardware, software, services, and related information resources management activities. Annual expenditures for Fiscal Years 1984, 1985, and 1986 are:

	1984	1985	1986 (proposed)
Personnel	$2,896,000	$2,866,000	$2,708,000
Other Objects	$3,900,000	$4,667,000	$5,082,000
Total	$6,796,000	$7,533,000	$7,790,000

QUESTION: Is there a top management steering committee responsible for overseeing computer resources? Explain how it functions. If such a steering committee does not exist, how does top management ensure the efficient and effective use of its computer resources?

ANSWER: The FCC has an Automated Data Processing (ADP) Steering Committee, composed of Bureau and Office Chiefs; the Deputy Managing Director; and the Associate Managing Director for Information Management acting in an ex officio capacity. The Steering Committee acts as an advisory body to the Managing Director with the objective of ensuring that the ADP program is consistent with overall FCC objectives and is accomplishing its stated goals in a cost effective manner. The ADP Steering Committee's functions include:

- -- reviewing and recommending to the Managing Director new system development projects which can be justified from a cost/benefit standpoint.
- -- reviewing the performance of ongoing systems to determine their value in support of FCC programs and activities.
- -- developing strategies for meeting the Commission's long range objectives through the use of ADP systems.
- -- reviewing and recommending the FCC's Information Resources Management Budget and strategic plans to the Managing Director and evaluating actual performance against those plans.

QUESTION: Is there an independent audit review group responsible for reviewing system development projects to ensure that adequate internal controls are designed into the new systems? Explain how this group functions. If such a group does not exist, how does management ensure that new automated systems contain adequate controls?

ANSWER: The FCC has an independent audit review group, the Internal Review and Security Division, which is charged with ensuring the existence of adequate internal controls. Management also ensures that new automated systems contain adequate controls through the Systems Review Panel, consisting of the Commission's ADP managers, which reviews, evaluates and approves proposed major systems development projects. An auditor is assigned to the Information Resources Planning Division under the Associate Managing Director for Information Management to perform post-implementation reviews of new systems and audits of older systems, both of which may identify areas where inadequate controls exist and where improvements are needed. A comprehensive set of ADP directives at the FCC establishes standards for system development to provide computer programmers and operators with procedures to establish adequate controls for automated systems. As mentioned above, the ADP Steering Committee reviews the performance of ongoing systems. In addition, all automated systems are regularly reviewed under OMB Circular A-123, Internal Control Systems.

ACCIDENT COMPENSATION CHARGES

QUESTION: The summary table on Page 2 of the budget shows $108,000 for "accident compensation," up from $57,000 in FY 1984. The accompanying narrative does not elaborate on the need for accident compensation funds or why it has almost doubled from FY 1984 to FY 1986. Please explain the need for these funds.

ANSWER: Each year the Commission is advised by the Department of Labor as to the amount we are to be charged in the budget year for medical and compensation benefits paid under the Federal Employees' Compensation Act. These charges cover the costs for injury or deaths sustained after December 1, 1960, by employees under our jurisdiction.

OFFICE SPACE RENTAL

QUESTION: The discussion of office rental charges (pp. 207 - 209) provides details on charges in rents in Washington, D.C., and Gettysburg, Pa., but does not explain how a 19% reduction in field location rental charges (from $1,021,000 to $824,000) will be accomplished. How will the 19% reduction be accomplished and what is its impact on FCC activities.

ANSWER: The 19% reduction to the field location rental charges for FY 1986 is the result of a reduction to office space at ten field locations, achieved mainly by eliminating examination rooms which are no longer required. Of these ten locations, major reductions to space costs are projected for the Chicago, Long Beach, and Seattle field offices. There will be no impact on the Commission at this time.

FEDERAL TELECOMMUNICATION SERVICE

QUESTION: Your budget estimates include a substantial increase in FTS telephone costs (p. 207). What measures are you taking to ensure that FTS is being used only for necessary business calls?

ANSWER: In FY 1984, the Managing Director supplemented the FCC long distance call certification program with a requirement that employees found to have used FTS for personal business reimburse the government for the cost of these calls. Repeat offenders are subject to additional disciplinary action. In addition, all employees have been notified of GSA's new 24 hour - 7 day call sampling and billing system. After these measures were taken, an estimated 10% decrease in usage occurred. The Commission's budget request reflects a reduction of $10,000 to take into account savings to be generated during FY 1986. Billings for the first half of FY 1985 (based upon FY 1984 usage) are running 23% below the $1,006,900 budget GSA advised us to submit.

OFFICE SPACE RECONFIGURATION

QUESTION: What is the status of work to reconfigure space in FCC's Headquarters building to accommodate staff being relocated from the Brown Building next door?

ANSWER: The Commission has developed plans for relocating the employees in the Brown Building to 1919 M Street, 2025 M Street and 2000 L Street. On February 6, 1985, we provided GSA with floor plans for the space to be renovated. GSA completed the first site survey and on March 12, 1985 began working on the floor layout. Final layout is due to be completed by April 12, 1985. Floor plans will then be submitted to GSA for construction. The Brown Building relocation is scheduled to be completed by October 15, 1985.

QUESTION: Why does the FY 1986 budget propose spending an additional $110,000 to complete office reconfigurations after the Brown Building employees are scheduled to move at the end of FY 1985?

ANSWER: The $110,000 is required to complete the construction work relative to the move from the Brown Building begun in FY 1985.

QUESTION: Does this mean that staff will be in temporary quarters and that work will be disrupted more as renovation continues?

ANSWER: Employees will not be relocated until renovations are completed. There will be minimal disruption to Commission activities.

QUESTION: What is the estimate for total loss of productive staff time in order to comply with the GSA 135 square feet per person directive?

ANSWER: Barring construction delays in the three locations mentioned above, there will be no loss of productive staff time in order to comply with GSA's 135 square feet per person directive. We plan to move employees directly from the Brown Building to their new accomodations by October 15, 1985. This is contingent upon GSA completing the necessary renovations.

UNIFORM SYSTEM OF ACCOUNTS

QUESTION: Page 215 of the Budget Estimates notes a $220,000 increase in Contractural Program Assistance to implement an automated data base management system for the Uniform System of Accounts (USOA).

Please explain FCC plans for solicitation and selection of a contractor for the proposed work. Will the contract award be competitive?

ANSWER: It is anticipated that two contractor solicitations will be required. One for hardware procurement and the other for data base development and application systems programming. The FCC will issue a competitive Request For Proposal (RFP) for the solicitation and selection of the required hardware. For data base development and application programming contractor support the FCC will issue a task order to the U.S. General Services Administration (GSA) under their competitive GSA Contract Services Program in order to take advantage of bulk buying, discount rates and competitive purchases.

QUESTION: How much confidence does the FCC have in the cost estimate for the new automated system? What is the estimate based on?

ANSWER: Use of a competitive GSA contract through issuance of a fixed price task order makes the FCC highly confident of the FY 1986 cost estimate of $220,000. The estimate is based on FY 1986 work requirements and manpower staffing requirements to accomplish the planned workload, under the assumption that the revised USOA will not be fully implemented by January 1986.

QUESTION: What is the estimated cost of the further phase of implementation that is called for in FY 1987?

ANSWER: The total USOA funding requirement for FY 1987 is estimated at $1,260,062.

QUESTION: Will the implementation of the proposed contractural assistance for the automated USOA involve any of the firms that must comply with the revised USOA reporting requirements?

ANSWER: No, there are no firms under the GSA ADP Services Contract that must comply with the revised USOA reporting requirements. It is not anticipated that this will be a problem in future years. In any case, the FCC would not allow the subject tasking to be let to such a contractor should the occasion arise.

CABLE COMMUNICATIONS POLICY ACT OF 1984

QUESTION: The FY 1986 budget requests 12 additional positions to implement Section 634, Equal Employment Opportunity of the Cable Communications Policy Act of 1984. Was an analysis performed of possible alternatives available to FCC for carrying out its responsibilities under Section 634? If yes, please provide it for the record.

ANSWER: After review and discussion of the Cable Act requirements, we determined that the only feasible method of carrying out the new mandate was to augment our existing EEO staff as we have requested in the FY 1986 Budget.

COMMON CARRIER AUDITING

QUESTION: To what extent will your resources allow you to audit AT&T and the Regional Bell Operating Companies?

ANSWER: Our resources for the current fiscal year are limited both in terms of travel funds and personnel. In order to achieve maximum results within the given constraints, our plan is to audit carriers on a rotating basis. We simply cannot audit AT&T and all of the Regional Bell Operating Companies (RBOC's) each and every year. Rather, we see a three year cycle as a more realistic target. This translates into conducting audits of AT&T and all of the RBOC's at least once during a three year span. The scope of the audits planned, of course, will cover Computer II and other selected areas. Moreover, the combining of the Computer II task force with the Accounting & Audits Division enhances our ability to place higher priorities, as needed, on the more significant Computer II audits dealing with the effects of nonregulated activities on the regulated business.

QUESTION: It was anticipated that audits necessary to determine carrier compliance with Computer II regulations would be conducted every year. Under the proposed disbanding of the Computer II Task Force and reorganization of the Common Carrier Bureau, how will this reallocation of resources enable you to continue to conduct Computer II audits?

ANSWER: The Computer II audits will be conducted in conjunction with our current year's audits. The audit schedule will, however, retain adequate flexibility to accommodate additional Computer II audits should the need arise.

QUESTION: Which carriers do you plan to audit?

ANSWER: Our plans are to audit Southwestern Bell, Pacific Telesis, and NYNEX. Resources permitting, Bell Atlantic will also be audited.

QUESTION: Will the reallocation of resources allow you to audit all aspects of the Computer II Decision?

ANSWER: The consolidation of the Computer II staff into the Accounting & Audits Division will permit the Commission to audit the Computer II Decision more efficiently by incorporating Computer II audits into our ongoing audit schedule. In fact, we will be in a better position to conduct Computer II audits more completely than would be the case if the resources had not been combined.

ACCESS CHARGES

QUESTION: How many staff members and other resources will be used to monitor the implementation of access charges?

ANSWER: The Commission intends to monitor the implementation of its access charge plan carefully. Several different Divisions in the Common Carrier Bureau will review separate aspects of the access charge program. The Industry Analysis Division is monitoring subscriber line charges and its impact on subscriber drop-off and bypass; the Tariff Division is monitoring the tariff implementation, the rate reductions which will result for other services, and the costs, rates and regulations of local exchange carriers; and the Policy and Program Planning Division is working with the Federal State Joint Board on monitoring the effectiveness of the Universal Service Fund and state lifeline programs. Because some of these activities have not yet been finalized (*e.g.*, Access Tariff Monitoring Program, Public Notice No. 2133, released January 25, 1985, at para. 1), the levels of staffing and resources that will ultimately be committed to monitoring the implementation of access charges have not yet been determined. At this point, we estimate that $60,000 dollars for additional data collection and computing capabilities will be involved, along with personnel from the three divisions mentioned above. The Bureau will be considering these requirements in its FY 1987 Budget request. As an example, the Tariff Division alone contains 41 people. As much as 90 percent of its effort involves monitoring and implementation of access charges and related matters.

QUESTION: What specific plans do you have for determining the effects of access charges on subscriber drop-off and bypass?

ANSWER: Regarding subscriber drop-off, the Commission's plans for monitoring universal service are set forth in *MTS and WATS Market Structure; Further Report on the Effects of Federal Decisions on Universal Telephone Service, CC Docket No. 78-72, Phase IV,* FCC 84-636, released January 4, 1985, at pp. 56-59. In brief, the Commission intends to work closely with the States and the Joint Board, and will use information developed by, *inter alia,* the Current Population Survey, the Rural Electrification Administration and the National Exchange Carriers Association, to monitor possible subscriber drop-off. It should also be noted that the Commission has adopted measures which are the equivalent of a waiver of the subscriber line charge for residential customers meeting a state adopted means test subject to verification. Thus, any state which wishes to do so can ensure that implementation of subscriber line charges will not increase telephone costs for needy households. The Commission has also asked the Joint Board to request comments on broader lifeline measures by the end of March and complete preparation of recommendations on this matter within the following 180 days.

With respect to bypass, we have found that it is extremely difficult to monitor. Any firm can construct and operate a communications system for its own use and, unless a radio license is needed, the operation will not come to the FCC's attention. We have no desire to either restrict new technologies or to create a corps of bypass police. Hence the amount of bypass occurring through private "stand-alone" systems will inevitably remain somewhat unclear. At the present time, however, most of the activities that bypass high long distance toll rates are undertaken through the use of private lines leased from local telephone companies. While the usage of such lines is not measured, we can and will monitor the number of such lines. This provides at least a rough measure of bypass trends. In addition, we can indirectly measure the impact of bypass by examining the volume of traffic carried by the nation's public switched network. During recent years the nationwide volume of ordinary long distance toll calls (i.e., MTS traffic) has leveled off while WATS calls have continued to grow. We will carefully watch for any signs of an actual decline in switched traffic since this would indicate that bypass has increased to such an extent that it is absorbing all communications growth and actually cutting into the absolute number of long distance calls that currently help to defray local service costs.

COMMON CARRIER COMPLAINTS

QUESTION: On p. 85 the budget shows that at the end of FY 1986 there will be 3,000 more pending written informal complaints than there was for FY 1984. Why this large increase in pending cases and what is FCC doing to reduce the number of pending cases?

ANSWER: The increase in pending cases results from the greater volume of receipts in FYs 1985 and 1986, in a post-divestiture environment. In fact, the FY 1984 volume itself was 100% greater than that of FY 1983, and of previous years. As the industry changes, there is increased consumer participation in service selection and provision. This has resulted in consumers filing a greater number of informal comments, inquiries and complaints.

To address the increased volumes, the Commission has added five positions to the informal complaints unit. Three entry level carrier analysts were hired in the second quarter of FY 1985, and are handling both written and verbal complaints. Two clerical positions have also been added. While the five new positions were not expected to completely reduce the backlog, they are designed to prevent the greater backlogs in the current fiscal year that would result without these additional personnel. We believe that over time, as problems created by divestiture diminish, the additional positions will enable the Bureau to diminish pending backlogs.

TARIFF FILINGS

QUESTION: The proposed budget (p. 84) states that tariff filings have increased dramatically and that tariff issues will be of greater complexity and difficulty. To what extent will your resources allow you to meet objectives of reviewing tariff filings expeditiously? How successful were you this past year in meeting the same objective?

ANSWER: The Legal Branch of the Common Carrier Bureau's Tariff Division is presently authorized 14 attorneys, three secretaries or clerk-typists, one paralegal and two supervisors. It is responsible for preparing orders for the Bureau Chief or Commission regarding contested tariff filings and uncontested tariff filings which, in the staff's own analysis, are so deficient as to require rejection or suspension. In addition, Legal Branch attorneys are often involved in working with carriers to resolve problems in tariff filings on an informal basis. In the past year we were successful in meeting our objectives of reviewing tariff filings within the statutory time periods, but this required extraordinary effort. Many attorneys worked substantial overtime in order to accomplish this objective, as did our secretaries. In addition, in many instances it was necessary to extend tariff effective dates to the full 90 day notice period or to suspend tariff filings for all or part of the five month statutory suspension period in order to allow time to review the tariff filings adequately and write the necessary orders.

We expect the work load to increase substantially in the next year, due primarily to an increase in the expected number of access tariff filings. Thus, it will be more difficult than last year to accomplish our objectives of reviewing tariff filings expeditiously.

The Tariff Review Branch of the Tariff Division presently is authorized three supervisors, one secretary, one clerk-typist, one contact representative, nine public utilities specialists and two economists. At the present time there are two public utilities specialist vacancies. The Branch is responsible for analysis and review of all tariff filings and associated economic support data and resolution of any problems both on an informal basis through discussions with carriers and on a formal basis in conjunction with the Legal Branch. In the past year we were successful in meeting our objectives of reviewing normal tariff filings within the statutory time periods. However, the review of access tariffs was accomplished by extending pending effective dates or suspending tariff filings and by extraordinary efforts on the part of the professional staff. We have not been able to meet our objectives concerning the updating of the tariffs in our Public Reference Room. In some cases we have been forced on a temporary basis to use the professional staff to assist in filing revised tariff pages.

The workload in the Tariff Review Branch has steadily increased. We processed 22,453 tariff pages in FY 1982, 46,334 tariff pages in FY 1983 and 75,827 tariff pages in FY 1984. The increases are due almost exclusively to the filing of tariffs for access charges. We expect this trend to continue. While some decrease can be expected as a result of the detariffing of forborne carriers, the increase in access tariffs will probably cancel and exceed that decrease. We expect some 50 additional separate access tariffs to be filed this year, making a total of approximately 125 separate access tariffs to be reviewed. In the initial round of access tariff filings many exchange carriers chose to copy the National Exchange Carrier Association (NECA) tariff, making review somewhat easier. Indications are that the exchange carriers will not copy NECA this year, thus requiring a time consuming review.

COMMON CARRIER INTERNATIONAL ACTIVITIES

QUESTION: In a reorganization approved on March 29, 1984, the Common Carrier Bureau's former International Facilities Planning Division was renamed "International Policy Division" and three staff members were added to enhance its policy development and monitoring functions. On p. 97 of your budget estimates, the total number of positions for international activities is shown decreasing by one from FY 1984.

What has happened to the intent to enhance the International Policy Division's functions with added staff or has staff been moved into the division from other international activities?

ANSWER: International policy and planning functions involve the office of the Assistant Chief - International, the International Conference Staff and the International Policy Division (formerly the International Facilites Planning Division). The following table summarizes the personnel in these offices.

	Orig. FY '84	Congress. FY '84 Add-ons	Bureau Reorg. 4/84	FY '85 Reduction	FY '86 Budget
Asst. Chief Intl.	2	—	—	—	2
Conf. Staff	2	+5	—	-1	6
Int. Pol. Div.	10	—	+2	—	12
Program Total	14	+5	+2	-1	20

These figures show that the total number of staff devoted to international policy-related matters has increased since FY 1984, primarily in the area of the Conference Staff. The International Policy Division staff, which is responsible for monitoring the industry, has also increased. The increase in the Division staff is consistent with the Common Carrier Bureau's intent to enhance the Division's policy development and monitoring functions. As part of the Bureau reorganization of March 1984, the Division staff was augmented by the transfer of two employees into international activities from elsewhere in the Common Carrier Bureau. These employees have improved the Division's ability to monitor and develop policy for the industry. The Commission presently intends to maintain the International Policy Division at this higher staffing level consistent with its strong commitment to resolve expeditously the difficult and complex issues that have been raised in the international arena.

INTERNATIONAL TELECOMMUNICATIONS MARKET

QUESTION: What is the status of international telecommunications markets monitoring?

ANSWER: In the late 1970s, the Commission embarked on a policy to rely more heavily on market forces to control the economic behavior of firms engaged in providing international telecommunications service. With the shift from reliance on traditional regulatory tools to market forces, the Commission has moved to develop the capability to monitor changes in the industry in order to ensure that it is becoming more competitive rather than more concentrated. Indicators such as entry, exit, services, rates, and revenue trends are tracked by the staff of the Bureau's International Policy Division, which is responsible for the monitoring function.

The staff relies on several sources in collecting the information necessary to monitor the international market. Reports submitted to the Commission by the international common carriers are scrutinized by the staff to determine the types of data that are available and that are useful in performing the monitoring function. The staff has used relevant data contained in these reports to begin to compile a data base which can be readily updated as new information becomes available. The data used include operating revenues for the individual international common carriers, revenues derived from the various service classifications, facility circuit usage figures, customer usage statistics, and price data. These data figures are used to calculate a variety of industry performance statistics such as revenue growth, service growth, market share data by service and by common carrier, industry concentration indicators such as three and four firm concentration ratios and Herfindahl indices. The performance statistics are included in the data base and are used to monitor growth trends and changes in market structure.

QUESTION: What FCC studies or reports have been published or data collected that indicate the progress of competition?

ANSWER: While the Commission does not publish reports regarding the relative degree of competition in the international common carrier field, the Commission, as stated above, collects data that can be used to analyze the market structure in the industry. The Commission's internal review of this data indicates that the industry is less concentrated than it was prior to the Commission's initiative to increase reliance on market forces to achieve its public interest. For example, operating revenue data indicate that the four-firm concentration ratio, a commonly used index of market structure, has fallen since 1979. The same measure computed for the three largest record carriers also shows a decline since 1979. Market shares of the various common carriers' total operating revenues have also declined during this same period. Entry by new firms is partly responsible for the lower concentration ratios and market shares. While the reductions in these economic indicators have not been dramatic, they have been steady as entrants gain a foothold in the industry. Additional entry and continued growth by recent entrants will add to the trend toward a less concentrated industry structure.

In addition to our ongoing compilation of data on industry structure, the Commission is currently conducting rulemaking proceedings that involve an evaluation of competition in the international industry, and that, consequently, solicit the views of interested parties on the nature and extent of competition. In the international competitive carrier inquiry, the FCC is looking to streamline tariff and facility regulation of nondominant carriers. The Commission is also examining whether to allow common carriers to exercise more flexibility in choosing between cable or satellite circuits that are used to provide international service. The Commission will also be examining, in its competitive satellite proceeding, information and data solicited from interested parties on the nature and extent of competition in the international arena, and the impact of competition upon the existing Intelsat system.

PRIVATE RADIO LICENSE APPLICATIONS

QUESTION: PRB's budget refers to discontinuing assistance given to the public, which will increase the number of defective applications received. What efforts has PRB taken to consider alternative means to assist the public, such as, through professional and amateur associations, instruction manuals, pre-recorded instructional messages available by calling an 800 number, etc.?

ANSWER: Several years ago, the Private Radio Bureau developed as one of its objectives the reduction in application return rates for its Authorization of Service Program. This was to be accomplished by examiners providing individualized assistance to applicants through extensive telephone conversations. It is this service that will be impacted by the potential budget cuts.

Methods other than extensive telephone contact have been and will continue to be used to provide assistance to the public. Some of these methods are:

- o regularly issued public notices on a variety of topics including rule changes and procedural changes involving methods of filing, changes to application forms, and sources of license data;
- o utilization of licensee group publications to disseminate information on FCC rules, regulations and procedures to the user public;

- the development of a Consumer Assistance Branch to respond exclusively to public inquiries;
- the simplification of application forms to make them easier to complete and less prone to errors;
- the publication of several instructional manuals to clarify application filing procedures; and
- more reliance on the private sector in the overall licensing process through the services of frequency coordinating organizations.

ILLEGAL ELECTRONIC DEVICES

QUESTION: To what extent has the importation of illegal electronic devices increased FOB's workload?

ANSWER: The importation of illegal devices has increased FOB's workload by approximately five and one half workyears in the last three years. The work consists of monitoring the flow of communications equipment imports and dealing with complaints generated by the use of illegal devices. We do not investigate individual instances of interference of this type unless a safety service is affected, as our resources are devoted to higher priority activities.

FREQUENCY USAGE - LOS ANGELES SHERIFF'S OFFICE

QUESTION: How much did the major study of frequency usage by the Los Angeles County Sheriff's Office cost?

ANSWER: The following is a breakout of estimated costs for the major study of frequency usage by the Los Angeles Sheriff's Department:

One-time development costs -	$ 2,897.00
Field data collection -	3,434.00
HQ data entry and other clerical support -	938.00
HQ study design, planning and direction; data evaluation; report writing -	7,721.00
General administrative overhead -	2,998.00
Miscellaneous equipment costs and expenses-	3,000.00
Total	$20,988.00

PRIVATE CONTRACTOR SPECTRUM MONITORING

QUESTION: Explain the advantages and disadvantages of turning over some of FOB's spectrum occupancy monitoring to private contractors.

ANSWER: The theoretical advantages of turning FOB responsibilities over to private contractors are — promotion of the private sector and reduction of expense. There is work we have done in the past which can best be handled by industry. An example would be intermodulation problems at a repeater site. As no rules are generally being violated and the repeaters involved normally conform to required technical standards; there is no compelling reason for us to visit the site. We refer the problem to the companies servicing the repeaters and ask them to work out a solution. This approach is effective in most, but not all, cases. This type of solution is possible only in a few narrowly defined areas within the communications environment, however.

The primary difficulty in most of our work is conflict of interest. The marketplace does not currently provide disinterested parties who could perform the tasks. The companies available to resolve interference or perform inspections are those who install, service and maintain the stations. The implications for having these companies perform our job is obvious -- pressure to purchase more expensive equipment from the inspecting company, less vigorous inspections of their own installations, excessively vigorous inspections of competitor's installations.

The theoretical advantages, thus, would not be realized. Assuming that a disinterested party could be hired, unless there were other markets for its capabilities and product, it would become a quasi-government entity.

Further complications arise from the all important safety and national security aspects of our work. Our monitoring network is the only such facility available. Due to appreciation of property values, it would be prohibitively expensive to construct other such facilities. If we were to turn them over to a private entity, the property taxes alone would increase the operating expenses over ours. Responding at any hour to safety situations also would cost more if done by the private sector.

The backbone of our efforts in maintaining compliance is the threat of application of sanctions. We do not believe that this could be delegated to the private sector. Some progress could be made by creating a private right of action to our local courts for parties damaged by violations of the Commission's rules, but this would affect primarily those areas where we currently have minimal involvement. Further, it might create a burden which the judicial system is not capable of handling.

FEES

QUESTION: The FOB portion of the budget notes that cancellation of non-emergency mobile monitoring activities will be required. Would this be an area where user fees charged by FCC could be used to provide funding for an adequate level of monitoring? Explain.

ANSWER: The cancellation of non-emergency mobile monitoring is the result of a twofold problem, lack of money and personnel. User fees could be used to address the shortage of money necessary for travel, vehicles and equipment, but would not resolve the lack of personnel needed to perform the work. If personnel ceilings were to be raised and the needed funds were provided from user fees as a supplemental appropriation, we could maintain an adequate level of monitoring.

FCC LABORATORY

QUESTION: Please describe in detail the funds in this budget that will be used for acquisition and/or repair of equipment at FCC's Columbia, Maryland laboratory.

ANSWER: The FY 1986 Budget includes $16,000 for purchase of technical equipment and $5,000 for repair of existing equipment.

QUESTION: What is the operational status of all existing equipment at the laboratory?

ANSWER: Virtually all laboratory equipment is operational. To a significant extent, the staff maintains and repairs its own equipment as well as the equipment used by the Field Operations Bureau.

QUESTION: Is the laboratory able to maintain an adequate testing and verification program to assure that telecommunications equipment is meeting FCC standards?

ANSWER: Yes, the Commission has embarked on a new equipment authorization program with greater emphasis on post market sampling for compliance. The revised program attempts to protect the public from harmful radio interference while at the same time giving the manufacturers of many devices the opportunity to bring them to the market sooner. By introducing new categories of equipment authorization procedures we can turn our attention away from equipment that poses little threat of interference and direct our efforts more intensively to other equipment. As a check on this program we have reallocated personnel and expanded our equipment sampling program. To date we believe our efforts have been successful.

QUESTION: Are recent reports accurate in stating that the lack of modern equipment at the FCC laboratory has unnecessarily delayed the authorization of new technologies?

ANSWER: Recent press reports are not accurate. The concern is valid, but premature. First, of course, it must be remembered that our laboratory facility has, and must have, a broad assortment of basic testing and measurement equipment. As a general proposition, however, it is not possible or realistic to stock all the equipment that some as yet undeveloped technology might demand. On the other hand, it is clear that with more intensive use of higher regions of the spectrum, we can anticipate the need to buy or rent equipment we do not have at present.

TECHNICAL PLANNING PROGRAM

QUESTION: Please explain the rationale for the cut of two more work-years in FY 1986 from the technical planning program of the Office of Science and Technology. The impact statement on page 163 states that the FY 1986 cut and the similar FY 1985 cut of two workyears from technical planning will severely impact this activity. How can technical planning activities be adequately carried out considering that the FY 1986 objectives remain the same and there is a 50 percent smaller staff?

ANSWER: The 1985 and 1986 objectives are, generally: (1) To provide the public with information and answer to correspondence, (2) To examine the Commission's rules with a view toward removing rules that create disincentives to innovation and use of new technologies. (3) To advise on national security matters. The first and third objectives will not be significantly affected by an additional reduction in workyears. The tasks of providing the public with information is borne largely by a Technical Information Specialist. This job has not been changed.

Advice is still provided on national security matters. The individuals primarily involved in this activity (now the Division Chief and the Deputy Chief Scientist for Operations) continue to play a role in the national security area.

The objective of regulatory review is a different matter. To an extent we have pursued a regulatory philosophy that encourages innovation without strict Commission oversight. Where market forces are sufficient to determine the various roles played by telecommunications entities, it is unnecessary to engage in traditional levels of planning activity. Having said this, however, it must be noted that there is some risk in proceeding too far into the future at reduced staffing levels for technical planning. Clearly, in order to maintain spectrum allocation and other activities, technical planning has had to take a back seat. We are sensitive to the problem, however, and if necessary, resources will have to be reallocated.

FY 1985 SPACE WARC

QUESTION: FCC's FY 1985 budget requested additional funding for FCC's preparations for and participation in the World Administrative Radio Conference on space services (Space WARC) that was held in 1985.

What is the total cost in staff and support resources expended by FCC for Space WARC in 1985?

ANSWER: Space WARC preparations at FCC have been a joint effort among many Bureaus and Offices. Many of the people involved in Space WARC preparation are also involved in other international telecommunications activities. It is estimated that approximately 7-8 workyears of effort were expended Commission-wide in FY 1985 for Space WARC related activities. In addition to personnel compensation for this activity, the Commission also expended $335,000 on data processing equipment and activities in support of "international conferences," which includes Space WARC among several other upcoming ITU radio conferences. Of this $335,000, $200,000 was identified as the "additional funding" needed to purchase another mini-computer to support the international conference activity.

QUESTION: How much will FCC spend in FY 1986 on Space WARC?

ANSWER: It is very difficult to forecast the number of workyears of effort that will have to be devoted to Space WARC preparations in FY 1986, because much will depend on the outcome of the 1985 Space WARC conference. However, the Commission plans no changes in the staffing levels of its overall international telecommunications program activity. If necessary, the Commission will reallocate individuals within the international activity among the various international projects so as to ensure that each of the projects receives the attention that it needs and deserves. Because the procurement of a mini-computer in FY 1985 was a one-time purchase for international conference support, FCC expenditures in FY 1986 will be lower by that amount ($200,000), less routine maintenance costs.

QUESTION: If FY 1986 Space WARC expenditures are less than those for FY 1985, please explain the reductions and describe where the reductions are listed in the budget.

ANSWER: With respect to the computer support of Space WARC, it was noted in last year's budget that the $200,000 expenditure for a mini-computer for international conference activity was a one-time expenditure. FY 1986 expenditures will be in the form of maintenance of the equipment purchased this year. This reduction is reflected in the Commission's 1986 Budget Estimates, on Page iv.

QUESTION: If the FY 1986 budget was not reduced to reflect lower FY 1986 Space WARC expenditures, please provide details on how this money will instead be spent.

ANSWER: The FY 1986 budget was reduced, as noted in our response to the previous question, to reflect a reduction in computer support expenses.

EXTENDED AREA SERVICE

QUESTION: The FCC has acknowledged the problem where long distance carriers, both facilities-based and resellers, obtain traffic through extended area service (EAS) arrangements and fail to pay carrier access charges, thereby depriving local exchange carriers of, often, substantial amounts of interstate carrier access revenues. When does the FCC intend to act to deal with this situation?

ANSWER: The Commission is currently studying the matter of compensation for the usage made of extended area service (EAS) by interexchange facilities-based or resale carriers in conjunction with interstate telecommunication services. It is not clear that the interexchange carriers are failing to pay for access to areas served by EAS arrangements. Instead, the problem may be that the local telephone companies serving EAS areas are not sharing the access revenues properly. In the First Reconsideration Order in the MTS and WATS Market Structure proceeding, we adopted a formula for the distribution of access charge revenues between exchange companies in EAS areas. We have recently been advised that application of this formula may not be occurring in some instances. We are currently attempting, through informal means, to ascertain the nature and extent of the problem so that we can determine the best procedural means of addressing it. If the problem is a limited one, informal means of resolution may be sufficient. If the problem is one of considerable breadth, the Commission will consider initiating more formal enforcement or rulemaking proceedings to address the situation. The timing of Commission action will be a function of the procedural means chosen for addressing this issue.

QUESTION: Does the FCC agree that long distance carriers ought to pay compensation for their use of exchange carrier materials?

ANSWER: It is clearly the Commission's intent that local exchange carriers that participate in an extended area service arrangement be compensated for the use of their facilities as part of an interstate service.

QUESTION: What types of action is the FCC considering in this area?

ANSWER: If the problem proves to be relatively limited in scope, informal means of resolving it may be sufficient. However, if the problem is one of considerable breadth, the Commission will consider initiating more formal enforcement or rulemaking proceedings to address the problem.

CABLE COMMUNICATIONS POLICY ACT OF 1984

QUESTION: In implementing the 1984 Cable Television Policy Act, the FCC proposed rule changes which would lift restrictions on telephone systems to enable them to provide cable television in rural areas. It is anticipated that telephone companies in rural areas will be permitted to provide cable television irrespective of whether there are existing cable systems or cable systems under construction in the area?

ANSWER: The Cable Act removes the restrictions from the FCC rules that telephone companies may only provide cable television service in their telephone service area if "no cable television system is under construction or in existence" where the service area is classified as rural. This provision will permit telephone companies to acquire existing cable systems or franchises to serve rural areas without a waiver from the FCC. However, this does not mean that telephone companies in rural areas will be permitted to provide cable television irrespective of whether there is an existing system or a system under construction in the area. Cable systems must operate under a franchise granted by local authorities. These provisions will allow telephone companies the opportunity to compete for franchises in rural areas. They may also acquire existing systems or those under construction in these areas under the terms of the local franchise.

ACCESS CHARGES

QUESTION: In the latest Access Charge opinion, dated January, 1984, the FCC reduced the level of end-user or subscriber line charges and increased the level of assistance to high cost telephone systems with less than 50,000 access lines. Whether or not the current plan is adequate in terms of maintaining affordable, modern telephone service in high cost areas may depend on the FCC's re-evaluation in 1986. In reassessing the situation in 1986, is the FCC prepared to take a fresh look at the access charge plan and attendant issues, as recommended by the Joint Board?

ANSWER: At the conclusion of its 1984 study of subscriber line charges and other related issues, the Joint Board recommended a system of limited subscriber line charges combined with optional alternative tariffs designed to combat localized bypass problems. The Joint Board also recommended a further Joint Board proceeding, to be instituted in late 1986, "to examine the effect of subscriber line charges and the special anti-bypass tariffs on universal service, bypass, economic efficiency, and interexchange competition." The purpose of this proceeding would be to recommend what, if any, further steps should be taken by the Commission. The Commission adopted these recommendations with no significant changes. We are in complete agreement with the Joint Board's recommendation that new Joint Board proceedings should be instituted to evaluate the effectiveness of limited subscriber line charges and the alternative anti-bypass tariffs in achieving our long-standing goals of: (1) preserving universal telephone service; (2) eliminating discrimination; (3) promoting economic efficiency; and (4) deterring uneconomic bypass.

The Commission also adopted the Joint Board's recommendations for increased assistance to small, high cost telephone companies to keep their local exchange rates lower than they otherwise would be, as well as measures to allow the equivalent of a waiver of the subscriber line charge for low income households. The Joint Board is also studying the question of broader assistance measures for low income households at the Commission's request. The Commission will monitor the effect of these assistance measures on an on-going basis and make adjustments if necessary.

QUESTION: Does the FCC anticipate considerable changes in the level of access charges? In the allocation of costs?

ANSWER: The Commission has made no determination concerning what, if any, revisions may be appropriate in the future with regard to subscriber line charges or other related matters such as the allocation of non-traffic sensitive costs between the state and interstate jurisdictions. Further Joint Board proceedings concerning these issues will be instituted in late 1986 to evaluate the effectiveness of limited subscriber line charges and the alternative tariffs in achieving the Commission's goals.

QUESTION: On what will the FCC base its recommendation?

ANSWER: The Commission will base its decision on the record developed in the further proceedings concerning these issues to be conducted by the Joint Board. The Joint Board's recommendations on these issues will be given considerable weight by the Commission.

COMMON CARRIER BYPASS

QUESTION: How does the FCC plan to address local service bypass, that is bypass of the local exchange carrier for local service purposes?

ANSWER: The Commission is very concerned about bypass of the local switched telephone network, and deterring bypass has been one of our goals in the MTS and WATS Market Structure proceeding. The historic price structure for recovering local exchange costs forced high volume users of the local network to pay charges which greatly exceed the cost of connection to the local network. As documented in both of the Commission's studies of this problem, the uneconomic pricing of local exchange usage has created strong incentives for bypass by large users.

Changes in the mechanism for recovery of non-traffic sensitive costs (such as limited subscriber line charges and volume discount alternative tariffs) which are designed to reflect cost causation to a greater degree will reduce the incentives for all forms of bypass. Further proceedings to be instituted before the Joint Board in late 1986 will examine the effect of limited subscriber line charges and alternative tariffs on bypass, among other things.

AT&T DIVESTITURE

QUESTION: Looking back on the process of deregulation in the domestic area including the AT&T divestiture, do you think it was managed as well as it might have been?

ANSWER: It is always possible to postulate a path of events that might have been better than the one taken. This is especially true with such a large and complex event as the divestiture of AT&T and the process of telecommunications deregulation. On the other hand, looking back over the entire process, and taking as given that decisionmaking responsibilities are divided among the Executive, the Congress, the Courts and the FCC, it is difficult to criticize any part of the process or any one participant.

INTERNATIONAL TELECOMMUNICATIONS COMPETITION

QUESTION: Do you think the new venture on which the Executive Branch and the FCC seem to want to embark with international satellites would be as disruptive as the domestic process seemed to be?

ANSWER: I expect there will be no significant disruptions to continued growth of competition in the international area. In contrast to the domestic area, the international market has little of the direct consumer contact involving millions of households and businesses that has caused so much of the confusion in the wake of the divestiture. The Judiciary has also so far not played as significant a role in the developement and timing of policy in this area. In addition, there is a well established long term international policy of multiple ownership of transmission facilities in the cable area, which provides a starting point for our work. Finally, we intend to manage the development of our policy very carefully in this important area. We anticipate few, if any, of the unfortunate side effects that accompanied domestic deregulation.

QUESTION: Discussions of competitiveness have understandingly been couched in U.S. terms. Given the fact that the overwhelming majority of other telecommunication administrations (foreign PTT's) are centrally controlled and supportive of their own national industries, won't U.S. companies face in telecommunications the same problems that are faced in other industries which are supported and subsidized by their own governments?

ANSWER: To the extent that a U.S. communications entity seeks to operate within the territory of a foreign country to provide domestic or international services, it is quite likely to encounter opposition from the telecommunications entity of that country. As noted by the question, in most countries, telecommunications are provided on a monopoly basis by an organ of the national government. However, changes in this pattern are beginning to occur. Some countries, notably the United Kingdom and Japan are moving from government-provided telecommunications toward a structure in which telecommunications are provided by two or more private-sector entities. These changes are too recent to permit determination of their effect on the ability of U.S. carriers to establish operations in such countries.

It should be noted that, at present, international common-carrier services largely do not involve operations by a U.S. carrier within a foreign country. Rather such communications are jointly provided by U.S. carriers and the telecommunications entity of a particular country with each providing one-half of the transmission facilities between the two countries and sharing the revenues for the jointly-provided services. Under this arrangement, the U.S. carriers are not competitors of the foreign telecommunications entities but, rather, are joint venturers with the Administration of Posts, Telephone and Telegraph (PTT). This arrangement produces less opposition to the entry of new U.S. carriers into the international common-carrier market. Indeed, most foreign telecommunications entities operate with multiple U.S. carriers providing record services. Recent years have seen an increased willingness on the part of some countries to enter into such joint operations with more new U.S. entities providing international services. Very recently, a number of countries have also concluded operating agreements with new U.S. carriers for the provision of international message telephone service.

QUESTION: Of the proposals for new satellites facilities now pending before the FCC, how many proposals would serve any part of the developing world?

ANSWER: Three of the proposed satellite systems would serve parts of the developing world. Pan American Satellite Corporation proposes to provide services between the North and South American continents. Specifically they would provide links between New York and Miami, and South American parts of Central America, the Caribbean, and the Iberian pennisula. PanAmSat also proposes to provide domestic satellite services to countries in Latin America. In addition, although it proposes primarily to serve the United States and western Europe, Cygnus Satellite Corporation proposes to provide satellite spot beam coverage of Puerto Rico, the U.S. Virgin Islands, the Caribbean Basin, and portions of Central America. Finally, RCA American Communications Inc. proposes to serve parts of Africa along with Europe.

QUESTION: Do you think that major foreign government telecommunications monopolies would go along with the administration's notion about competition?

ANSWER: It is basic to the nature of each nation's control of its domestic network that any alternative carrier needs permission to interconnect. In that sense, which is the most meaningful one, no competitive international communications venture will ever exist that does not have the consent of foreign nations. It is reasonable to expect that some nations will support international competition, while, at least initially, others will withhold their support. The commitment to competition is generally less strong in other nations than in the United States. However, a number of foreign administrations have entered into operating agreements with multiple international carriers.

QUESTION: Are you aware of the December 1984 study by the FCC's Office of Plans and Policy that concludes "promoting competition among U.S. suppliers of international telecommunication may do nothing more than shift the profits abroad with no reduction in cost or other benefits to consumers"

ANSWER: I am aware of the study by Dr. Evan Kwerel of the Commission's Office of Plans and Policy. The report does state that promotion of competition *might* do nothing more than shift profits abroad. But it concludes that the "most promising policy option is to promote competition while simultaneously increasing the FCC's role in setting international accounting rates" (p.49).

QUESTION: Do you think there is a realistic basis for the concern expressed in this paper?

ANSWER: I think the paper certainly provides an ample basis for its conclusions, including *both* its concerns about the possible ill effects on the terms of trade as well as the benefits from increasing competition in the international area.

INTELSAT

QUESTION: The State and Commerce Departments have asserted that their approach will prevent significant economic harm to INTELSAT because additional satellite systems will be confined to customized private line non-switch service. Based on your experience, do you believe that distinction is an effective safeguard?

ANSWER: The Commission has not yet completed its analysis of the potential impact of the proposed systems on INTELSAT. In the present rulemaking, the Commission has invited comments on the restrictions set forth by the Departments of State and Commerce pursuant to the President's determination. In particular, we asked whether and to what extent the restrictions could be implemented, the need for the restrictions, and the effect of the restrictions on the competitive viability of the proposed systems and INTELSAT. Until the Commission has reviewed the information requested in its rulemaking, we will not be in a position to determine the potential impact of the proposed satellite systems on INTELSAT or whether the restriction set forth by the Executive Branch would be an appropriate restriction or an effective safeguard.

QUESTION: Was something like this type of rule ever tried before as part of the domestic U.S. regulatory process? How well did it work?

ANSWER: Currently, INTELSAT has its own policy prohibiting all users of Intelsat Business Service (IBS) from using the all digital service to divert public switched telephony traffic. It appears that self-enforcement will be one method INTELSAT will use to enforce this policy. As noted above, the Commission is currently considering this type of restriction and whether it would be an appropriate and effective safeguard.

QUESTION: It is possible that new transoceanic satellite systems will become means for bypassing the public switch INTELSAT network?

ANSWER: The Commission is currently considering that question and has not yet completed its analysis of the potential impact of the proposed systems on INTELSAT. In its Notice, the Commission requests comments on the practicality of imposing the Executive Branch limitation. In particular, we ask for comments on whether and to what extent such a restriction could be implemented in practice and which specific services would fall within or outside the scope of the restriction and the basis for so classifying such services. Any restrictive condition such as the one recommended by the Executive Branch would be imposed by the Commission through conditions on the satellite system license and the U.S. earth stations that are licensed to operate with the satellites. There are means of minimizing violations of any restriction such as this. The most effective means of achieving compliance with the service restriction would be through industry self-enforcement and Commission investigation of complaints of violations. It appears that self-enforcement will be at least one way INTELSAT will enforce its own policy prohibiting users of INTELSAT Business Service (IBS) from using this all digital service to divert public-switched telephony traffic. In response to a statement that this policy would be difficult to enforce, the Director General stated to the Board of Governors that:

> It is a policy which is in the interest of all Signatories and hopefully there will be a strong element of self-policing by the individual Signatories themselves; in addition, INTELSAT is studying means to improve its capability to monitor and identify situations in which the policy is being transgressed and will assist Signatories in this regard; (BG-59-3E, H/6/84 June 1984 p. 50).

QUESTIONS SUBMITTED BY SENATOR RUDMAN

INTELSAT

QUESTION: The Administration has determined that the addition of new satellite systems to compete with INTELSAT would be in the national interest as long as such systems only offer private-line service which cannot be routed into public "switched" networks, in order to avoid economic harm to

INTELSAT. I am told that technical experts believe that there is no effective way to tightly divide the market in this way. Can you comment on this finding?

ANSWER: The Commission has not yet completed its review of the impact of the Executive Branch limitation. In our Notice of Inquiry and Proposed Rulemaking regarding the impact of the proposed satellite systems, we specifically invited comments on the practicality of imposing the Executive Branch limitation. We asked commenters to address whether and to what extent such a restriction could be implemented in actual practice and which specific services would fall within and outside the scope of the restriction and the basis for so classifying such services. Until the Commission has reviewed the information requested in the rulemaking, we will not be in a position to determine whether the Executive Branch restriction would be effective.

Any restrictive condition such as the one recommended by the Executive Branch would be imposed by the Commission through conditions on the satellite system license and the U.S. earth stations that are licensed to operate with the satellites. There are means of minimizing violations of any restriction such as this. One method of achieving compliance with the service restriction would be through industry self-enforcement and Commission investigation of complaints of violations. It appears that self-enforcement will be at least one way INTELSAT will enforce its own policy prohibiting users of INTELSAT Business Service (IBS) from using this all digital service to divert public-switched telephony traffic. In response to a statement that this policy would be difficult to enforce, the Director General stated to the Board of Governors that:

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QUESTION: What will the FCC decide with respect to the separate system issue if it turns out that the private-line non-switched stipulation is impossible to enforce?

ANSWER: The Commission is considering this question. It is premature to comment on such options under hypothetical situations before comments and information requested by the Notice of Inquiry have been reviewed and analyzed.

QUESTION: The private-line criterion is intended to prevent economic harm to INTELSAT. It is possible that, even so, a large percentage of the private business market may be from INTELSAT and therefore cause economic harm to INTELSAT?

ANSWER: The Commission has not yet completed its analysis of the potential economic impact of the proposed systems on INTELSAT. In the Commission's Notice of Inquiry and Proposed Rulemaking involving the issues raised by the applications for the separate satellite systems, the Commission requested on specific data about the types of services these systems would provide, their capacity, anticipated demand, anticipated pricing structure, and detailed analysis of the potential traffic diversion and revenue impact of these systems in order to provide a basis for assessing the impact of these systems on the international satellite market. With the information requested in the inquiry, we will be able to compare the services that the applicants expect to offer to those now being provided or being planned by INTELSAT to determine whether the services are substantially equivalent, and, if so, consider potential traffic diversion from INTELSAT by the alternative systems. However, until the Commission has reviewed the information requested by the Notice, we will not be in a position to determine the potential economic impact of the proposed systems on INTELSAT.

QUESTION: How are you measuring economic harm?

ANSWER: The Commission is considering this question. In our present rulemaking, the Commission has requested comments as to the appropriate criteria for determining whether an alternative satellite system would cause economic harm to INTELSAT and for measuring the degree of harm. We have requested parties to address the degree of harm which constitutes "significant" harm under Article XIV(d) of the INTELSAT Agreement. In particular, we ask parties to focus on the language, intent, and drafting history of Article XIV, on previous INTELSAT coordinations under Article XIV, and on technological or structural developments in the satellite industry and services market which may bear on this issue. Until the Commission has reviewed the information requested in its rulemaking, we will not be in a position to determine the potential impact of the proposed systems on INTELSAT and, therefore, at this time cannot specify the criteria for determining economic harm nor the threshold for such harm.

QUESTION: Currently the INTELSAT charter requires uniform pricing. The effect of this rate structure is that the less-used routes to developing countries are being subsidized by the high density routes, primarily the corridor between the United States and Europe. It has been argued that competing systems may draw off the "cream" customers, leaving INTELSAT in a disadvantaged position. Would you comment on this and whether you would support efforts to allow INTELSAT more pricing flexibility to enable it to compete against new systems, if they are authorized?

ANSWER: As noted in our response to an earlier question, the Commission has not yet completed its analysis of the potential impact of these proposed systems on INTELSAT and therefore is not in a position to determine whether the proposed satellite systems would draw off the "cream" customers and leave INTELSAT in a disadvantaged position. However, we have requested extensive information and analysis on the impact of these systems on INTELSAT and believe our inquiry will enable us to make the necessary findings on this issue. In regard to INTELSAT's pricing flexibility, in its Notice, the Commission requests comment on INTELSAT's ability to change its rate structure to meet competition. The Commission's purpose is to explore this and other options that may be available to INTELSAT as competitive responses to separate satellite systems. We expect to address this issue as part of our development of a policy for regulatory review of the applications.

TRANSFER OF BROADCAST LICENSES

QUESTION: I understand that a group of shareholders of Storer Communications Inc. are solicitating proxies to elect a new board of directors, and possibly attempt to liquidate the company.

- If the Committee for Full Value of Storer Communications Inc. is successful, how will the FCC handle this transaction?

- Should this type of transfer of control be subject to procedures requiring public comment?

ANSWER: The staff of the Commission issued a ruling on the Storer case on March 29, 1985. The ruling states that the shareholders of a publicly held corporation exercise ultimate control and, for that reason, no transfer of control would be found when the shareholders exercise their existing control. However, to remove any uncertainty as to the Committee's authority to solicit proxies, the staff did grant the Committee's application. Storer and other parties have filed applications for review of the staff ruling, which is now pending. It would, therefore, be inappropriate to comment on the merits. We expect a ruling by the full Commission in the near future.

QUESTIONS SUBMITTED BY SENATOR HATFIELD

TELECOMMUNICATIONS INTERCONNECT

QUESTION: I've received a letter from a company in Oregon concerned about the lack of responsiveness at the FCC regarding AT&T Information Systems' domination of the telecommunications interconnect industry. I hope you can respond to the points he raises and reply to the Committee on this issue within the next week.

ANSWER: The Commission released an Order in December 1983 detariffing AT&T's embedded customer premises equipment (CPE) base. Over the next several months a number of issues were raised on reconsideration. One of these issues concerned AT&T Information Systems' (AT&T-IS') enforcement of the termination charge provisions of the CPE lease contracts. Prior to August 1984, the comments on this issue were limited to a page or two in substantially longer filings dealing with multiple issues. Since that time, a significant number of new parties have filed comments on termination charges which total hundreds of pages. Further comments were filed as recently as March 1985. The more recent filings have raised a number of issues including: (1) AT&T-IS' ability to recover equipment investment in the absence of termination charges; (2) the impact of AT&T-IS' actions on competition in the CPE marketplace (including interconnect vendors such as American Business Communications); and (3) the impact of AT&T-IS' actions on customers. The Commission is now in the process of examining these issues. We hope to act on these matters later this Spring.

COMMON CARRIER TERMINATION CHARGES

QUESTION: In December, 1983 the FCC authorized the deregulation and transfer of all embedded CPE to AT&T-IS (CC Docket No. 81-893). Recognizing that their action conferred significant market power upon AT&T-IS in its relationships with the embedded CPE customers and CPE competitors, notably in the nonresidential equipment area, the Commission promised continuing vigilance and prompt action if this market power appeared to be used unreasonably. Commencing in mid-1984 the Commission began to be officially apprised of a pattern of AT&T-IS conduct involving the selective waiver and reduction of termination charges allegedly due when a fixed term lessee terminated its contract prior to the expiration of the term. Yet the Commission took no action, instituted no formal proceeding or investigation. Repeatedly and increasingly, parties have given the Commission evidence of the unreasonableness of this practice and of the irreparable harm it is having in the marketplace. Notwithstanding the Commission's acknowledgement in January, 1985 of the seriousness of this problem, still the Commission has failed to take action. Does the Commission recognize that its delay (now approaching one year) is tantamount to a rejection of the claims being made that this practice is unreasonable?

ANSWER: A number of parties filed petitions for reconsideration of the Commission's Order of December 1983 deregulating embedded customer premises equipment (CPE) owned by AT&T. In January 1985 the Commission released an Order deciding all of the issues on reconsideration, except those dealing with the termination charge provisions of AT&T-IS' long-term CPE contracts which had been transferred from the Bell Operating Companies (BOCs). A number of parties had commented on AT&T-IS' enforcement of termination charges prior to August 1984. However, their comments comprised only a small portion of multi-issue pleadings and did not provide sufficient information on which to base a Commission decision. Since August 1984, a significant number of parties have filed comments on termination charges with some filings exceeding 100 pages in length. Some comments were filed as recently as March 1985. These comments have raised a number of complex issues with respect to the effects on customers, competing vendors, and AT&T-IS, that require careful consideration. Action on these pleadings can be expected later this Spring.

QUESTION: Does the Commission recognize that the injuries being incurred are virtually irreparable? By AT&T-IS' admission, 60% of the market will be lost if the Commission delays its decision until December, 1985 (40% by June, 1985).

ANSWER: As stated in response to the previous question, the Commission is in the process of analyzing the record concerning these issues. AT&T-IS has indicated in their comments that, at the time of divestiture, the long-term CPE lease contracts with termination charge provisions approved by the Commission or the states accounted nationwide for 21 percent of all installed PBX systems and 6 percent of all installed key systems. AT&T-IS has also indicated that 20 percent of these contracts expired in 1984, 61 percent will expire by the end of 1985, 69 percent will expire by the end of 1986 and 95 percent will expire by the end of 1987. (These percentages are cumulative).

QUESTION: Given the unreasonableness of the Commission's delay and its promise in January to act quickly on this matter, when will a substantive decision occur? If such decision will not occur within the next three or four weeks, please advise this Committee immediately of that fact.

ANSWER: As indicated in response to a prior question, a number of lengthy pleadings were filed after the expiration of the comment period on this issue, some as recently as late March 1985. The complexity and importance of the issues raised by the commenting parties require careful analysis prior to Commission action. We intend to address these issues later this Spring.

QUESTIONS SUBMITTED BY SENATOR HOLLINGS

LONG DISTANCE TELEPHONE COMPETITION

QUESTION: What is the state of long distance telephone competition? What does the future hold for facilities based carriers? Resellers? Value added carriers?

ANSWER: Although competition in the telephone industry is increasing rapidly, the state of competition depends on how the market is defined. In many submarkets, competition is quite vigorous. In others, a monopoly still prevails. AT&T is still the only provider of some services, such as "800" service, and operator-handled MTS service. They are also the only provider of interstate long-distance service for calls originating in many rural areas. The regional Bell operating companies have monopolies over intra-local access and transport area calls in many states. The intra-local access and transport area markets will become more competitive as the various state regulatory commissions permit competing carriers to enter those markets.

As a result of equal access, the costs of the facilities based other common carriers will become more similar to AT&T's as will the quality of their service. The result will probably be a reduced price differential to the consumers. The effect of this may be a shake-down of the market as some less efficient other common carriers get squeezed out. This applies to resellers as well as facilities based carriers. Value added carriers are likely to remain viable as long as the public is willing to pay a premium for the extra value of the services they provide.

QUESTION: How do you define "effective competition," and do you believe it a prerequisite for the relaxation or elimination of regulation?

ANSWER: Effective competition or the absence of substantial market power is achieved when no single firm has the ability to profitably raise prices by a significant amount for a sustained period of time above the level produced by a competitive market. Traditional tariff and rate base regulation does not provide any benefits to consumers when imposed on a firm without substantial market power. Such regulation invariably involves substantial costs and therefore should not be imposed on a firm lacking market power.

Market power depends on the state of competition for the products or services in a particular market. Market power analysis should look to several factors including the number of rival firms, the ease with which they can expand their investments, and the alternatives available to consumers. Market power should not be equated with the market share of the leading firm, although market share is certainly one statistic to consider. A firm with a large market share can have no ability to elevate price if its rivals have the ability to expand output rapidly in response to a price rise. Conversely, a smaller market share may not indicate the absence of monopoly power. This is apt to be true where government restrains the ability of competitors to expand output and engage in price competition.

The absence of market power is a basis for the relaxation or elimination of regulation. The existence of market power would indicate that some ongoing regulatory activity is appropriate. However, not all aspects of economic regulation that claim to control the ill effects of monopoly power have been well designed. Regulations which fail to provide net consumer benefits should be eliminated or reformed even where a firm is expected to possess market power. The mere possession of market power is far from sufficient by itself to justify any specific regulatory solution. Rather, each specific regulation needs to be reviewed to assure that it contributes to the public interest.

QUESTION: Do you plan any reduction in the level of regulation imposed upon AT&T's offering of MTS? WATS? private line services?

ANSWER: In exercising its responsibilities under the Communications Act, the Commission recognizes the changing nature of, and increasing competition in, the telecommunications industry. We have recently received extensive data and analysis on the general issue of what regulation should be imposed on AT&T in CC Docket No. 83-1147. In that docket, we are considering broad questions relating to dominance and elimination or reform of regulatory scrutiny.

In CC Docket No. 84-1235 we are looking at the issue of what standards should be used to review optional MTS calling plans. MTS pricing flexibility would allow carriers to develop offerings that stimulate demand, increase net MTS revenues and promote the efficient use of facilities.

Since CC Docket No. 84-1235 is currently pending, it would be premature at this time to speculate whether our resolution of issues in that proceeding will result in any reduction in the level of regulation imposed upon the AT&T's offering of MTS. The Commission recognizes that this is a critical time in the development of competition in the interstate telephone market and is continuously looking at the question of what level of regulation is appropriate for each of AT&T's service offerings.

QUESTION: How will you ensure that AT&T does not price below cost its services most subject to competition?

ANSWER: The Commission's Rules require AT&T to submit sufficient cost support with its tariff proposals to ensure that AT&T's proposed rates do not reflect below-cost pricing. Furthermore, to aid the Commission in its review of proposed service offerings, guidelines for reviewing private line tariffs were developed in CC Docket No. 79-246. The goal of the private line guidelines is to promote effective competition and increase opportunities for deregulation. Guidelines for the review of volume-based rate discounts were also developed in that proceeding. In CC Docket No. 84-1235 we are developing guidelines for reviewing innovative MTS rate structures and pricing plans of dominant carriers. The goal of CC Docket No. 84-1235 is to allow AT&T to price MTS offerings in a way that reflects true economic costs of providing service with sufficient control on AT&T's market power to protect consumers and competitors. The Commission will thus ensure that AT&T does not price its competitive services below cost by reviewing AT&T's tariff proposals in accordance with the Commission's Rules and guidelines.

EQUAL ACCESS

QUESTION: What is "equal access"? Is it only connection to the local exchange office, or is it something more, for example also having the ability to offer services in most or every state, such that a level playing field exists?

ANSWER: The Modification of Final Judgment ("MFJ") in United States v. American Telephone and Telegraph Company (AT&T) established constraints and obligations on the subsequent activities of AT&T and the divested Bell Operating Companies (BOCs). The most important of these provisions is a requirement that each BOC:

> provide to all interexchange carriers and information service providers exchange access, and exchange services for such access on an unbundled tariff basis, that is equal in type, quality, and price to that provided to AT&T and its affiliates.

This requires that AT&T and all other interexchange carriers will be afforded similar access at the local level. Where equal access is provided the local exchange carrier will afford similar handling for all calls, regardless of the interexchange carrier involved.

The conversion to equal access, which is presently underway, will be completed over the next few years. Appendix B of the MFJ acknowledges that equal treatment of access will have to be phased in during 1984-1986, and even thereafter in the case of smaller, older central offices upon an appropriate showing to the court. The MFJ provided that "[n]o later than September 1, 1985, such equal access shall be offered through end offices of each BOC serving at least one-third of that BOC's exchange access lines and, upon bona-fide request, every end office shall offer such access by September 1, 1986."

The availability of equal access in those offices which are converted will place AT&T and the competing interexchange carriers on an equal footing insofar as subscriber access is concerned. Thus the Commission does not believe that all offices in every state must be converted before a level playing field is reached. Customers in those offices that have been converted to equal access can presubscribe to the carrier of their choice operating at the location, and reach that carrier without using a distinct access code.

LONG DISTANCE TELEPHONE COMPETITION

QUESTION: What are you doing to monitor the state of competition in the long distance telephone market? Where does most of your information on the market come from?

ANSWER: Dramatic changes in the telecommunications industry, including divestiture, equal access, and the development of many new carriers and resellers have exacerbated the difficulties in monitoring the state of competition. We are monitoring the equal access process. This is being done through requiring the reporting of specific data for the number of lines converted to equal access, and the quantities of subscribers opting for (or defaulting to) AT&T, or selecting a competing carrier. Information requests such as these are directed to the involved carriers, including AT&T and the individual operating companies.

UNIFORM SYSTEM OF ACCOUNTS

QUESTION: What is the earliest that a new USOA can be adopted and implemented?

ANSWER : The earliest that a new USOA can be adopted is January 1, 1986, and the earliest that it can be implemented is January 1, 1987. However, these dates are premised on the condition that there are no additional extensions of comment filing deadlines and no delays due to implementation problems. We have had already twenty-eight requests for an extension of time for filing comments. Based on the merits of these requests we have extended the comment period from March 4, 1985, to May 3, 1985. Reply comments are due on June 3, 1985, and we anticipate numerous requests to have this thirty day reply comment period extended. Any additional granting of extension requests will delay the adoption of the final rule.

As for the implementation of the new USOA, basically we have two alternatives. We can either flashcut or phase-in the new system. Under flashcut we would require complete conversion to the new accounting system as of some future date. This approach implies that the new system would be developed, programmed, trained for, and tested in its entirety while the current system based on Part 31 continues to function. At the specified date, which because of the magnitude of the change should be at the beginning of the year, the carrier's entire operation would be cut over to the new system. Under this alternative, we proposed full implementation of the new system as of January 1, 1987, with full annual reporting to the Commission due as of March 1, 1988. However, some carriers have already indicated that it will take longer than a year for full implementation. The next logical date for implementation would be January 1, 1988.

The phase-in alternative would permit implementation of the new accounting system over time, on a systematic account by account (or logical group of accounts by group of accounts) basis. Under this alternative, reporting would also be phased-in accordingly, and system implementation would possibly begin in 1986.

We requested comments on the feasibility of these alternatives and on any additional alternatives that might be explored. Since the subject carriers will face the costs and work involved with implementation, their comments will be valuable in assisting us in developing an appropriate timeframe for implementation.

COMMON CARRIER STRUCTURAL SEPARATION

QUESTION: Since the FCC has proposed to eliminate structural separations for the offering of CPE by AT&T, how does the Commission plan to deal with the allocation of costs and revenues that are joint and common?

ANSWER: If structural separation for the offering of CPE by AT&T were eliminated AT&T would utilize accounting systems and methods to identify and allocate all direct and indirect costs and all revenues associated with unregulated ventures from revenues and costs associated with providing regulated services. The Commission has directed AT&T to propose appropriate accounting systems and methods in the Memorandum Opinion and Order and Notice of Proposed Rulemaking, FCC 85-56 (released February 22, 1985). The Commission will monitor AT&T to determine whether AT&T's procedures are adequately designed to prevent ratepayers from incurring unreasonable charges because of AT&T's participation in unregulated markets.

COMPUTER II

QUESTION: In regard to the Commission's waiver of the Computer II software rule, how are you going to ensure that AT&T's regulated activities are not assessed for the software costs that should be properly allocated to competitive activities?

ANSWER: AT&T is required under our rules to employ accounting mechanisms to ensure that all direct and indirect costs involved in software development are borne by AT&T Information Systems (ATTIS) for products developed on its behalf by affiliated entities. On March 15, 1985, AT&T filed a description of its accounting plan for billing software development costs to ATTIS with the Common Carrier Bureau. The Commission staff is currently analyzing the plan. The Commission will continue to monitor AT&T's accounting mechanisms to ensure that all costs are properly identified and allocated.

TRANSFER OF BROADCAST LICENSES

QUESTION: Over the past several years, the FCC has adopted many orders deregulating aspects of the broadcast industry. The basis for these orders was that the free marketplace would produce a larger and more diverse broadcast industry. Do you believe this has occurred, especially in light of the recent trend in the broadcast industry to focus almost exclusive attention on mergers, acquisitions, and dissolutions? Do you believe that in examining mergers, acquisitions, and the like in the broadcast industry, this industry should be treated like any other? Do you believe this trend toward mainly "bottom line" and short term concerns has affected the broadcaster's public trustee responsibilities? Will the FCC examine the cumulative consequences of its deregulation actions?

ANSWER: The Commission's position is simply that marketplace forces will compel publicly traded corporations to act consistent with the public interest. If a broadcaster seeks to maximize its profits, it is at the same time seeking to present a product that is appealing to the public.

QUESTION: Is the FCC required to make a public interest finding before it can grant any transfer of control application under Section 310(d)?

ANSWER: Pursuant to Section 310(d) of the Communications Act, the Commission is required to make a finding that the grant of an application for the assignment of a construction permit or a license or the transfer of control of a permittee or licensee company is in the public interest. Such a public interest determination involves passing upon the basic legal, technical, financial and character qualifications of the proposed assignee or transferee. However, unlike applications for construction permits or for renewals of licenses, no comparative consideration is given as to whether another transferee is "better" qualified than the proposed transferee in any given transfer or assignment application matter. The reason for this difference in treatment is that Congress, in amending Section 310 of the Communications Act in 1952, determined that comparative consideration of applicants in the assignment or transfer context would hamper the conveyability of broadcast stations and would constitute an unwise governmental intrusion into private business practice.

QUESTION: Is the FCC required to allow parties in interest to file petitions to deny transfer of control applications?

ANSWER: According to Section 309(d)(1) of the Communications Act, the FCC is required to allow parties in interest to file petitions to deny assignment or transfer applications, except for applications for consent to an involuntary assignment or transfer or to an assignment or transfer which does not involve a substantial change in ownership or control. The Commission has also exercised the authority delegated it under Section 309(d) of the Act and has limited the time period for filing petitions to deny assignment or transfer applications to 30 days following public notice of the acceptance for filing of such applications. Additionally, Section 73.3587 of the Commission's Rules permits any person to file an informal objection against an assignment or transfer application at any time before action on the application.

QUESTION: The only exception to the petition to deny procedures is in Section 309(c)(2)(B)? When does a "substantial change in ownership or control" occur, especially in light of the various types of financial arrangements, such as hostile takeovers and dissolutions, that are now prevalent?

ANSWER: The Commission adopted a rule, 47 C.F.R. 73.3540(f)(1)-(6), which defines six circumstances where petition to deny procedures do not apply. For example, formal petitions are not permitted as to applications for assignment or transfer of license between parent and subsidiary, or involving corporate reorganizations with no substantial changes in the beneficial ownership of the corporation. Transactions falling outside the situations described in the rule generally require the filing of long-form applications, which are subject to petitions to deny. Recently, the Commission has permitted the use of a short form in the Metromedia case, so that an individual could go from de facto control of the licensee corporation to de jure control. Further, the staff permitted the use of a short-form application in a proxy fight involving Storer Communications, Inc., on the ground that the shareholders were exercising the ultimate control they already had. Storer and other parties have sought Commission review of the staff action, which is now pending. Therefore, it would be inappropriate to comment on the merits of the proceeding. A decision by the full Commission on this case is expected in the near future. The Commission has not addressed the question as to procedures to be used in hostile tender offers.

QUESTIONS SUBMITTED BY SENATOR BUMPERS

FIXED SATELLITE EARTH STATIONS

QUESTION: Wal-Mart Stores, a very important retail business headquartered in Bentonville, Arkansas has applied for authority to construct and operate up to 2,000 fixed satellite earth stations which would be located at retail outlets, warehouses and other corporate facilities. I understand that the FCC is considering licensing fees for these earth stations as high as $1,350 per location. If approved, Wal-Mart would be charged $2,700,000 in fees alone just to put up these stations. Is it the Commission's intention to charge a high fee to discourage the use and development of this technology?

ANSWER: No. When the Commission originally proposed its fee schedule it had not received any applications such as the Wal-Mart Stores application that contemplates operating a network of as many as 2,000 small transmit earth stations by one entity as single integrated communication system. In direct response to the filing of such applications, the Commission has modified its proposed fee schedule to allow for the payment of a single fee to cover such an application. The fee proposed is $5,000. This fee is based on an estimate of Commission resources that will be required to process an application such as Wal-Mart's, because the Commission only recently began receiving applications for integrated systems using small transmit earth stations and has not yet developed routine application processing methods.

INVESTIGATIONS AND ENFORCEMENT ACTIVITIES

QUESTION: The FCC's budget estimates 1,835 positions in FY 1986, 17 more than in FY 1985, but a reduction of 140 from the FY 1984 level. A group of Arkansans have been trying to get a transfer of title approved for radio station KXRQ in Truman, Arkansas since August, 1983. This seems like an inordinately long time for an investigation and some kind of decision to come out of the

Commission. Does the FCC need more than 14 additional employees in FY 1986 to carry out investigations and enforcement activities?

ANSWER: No. In fact, the majority (11) of the 17 additional employees to be hired in FY 1986 will be assigned to enforcement duties in the Mass Media Bureau. As to the investigation in question, its duration was atypical. It was prolonged by several factors, most significantly a complex mixture of factual and legal questions. Staff shortages played no meaningful part in the delays experienced in the KKRQ case.

ACCESS CHARGES

QUESTION: A House Small Business Committee report criticized as excessive the $6 per month/per line access charges that multi-line small businesses began paying in May, 1984. Is the Commission satisfied that the present rate is reasonable?

ANSWER: The Commission studied this issue thoroughly and adopted a report by the Common Carrier Bureau staff, *MTS and WATS Market Structure: Further Report on the Effects of Federal Decisions on Universal Telephone Service*, CC Docket 78-72, Phase IV, FCC 84-636, released January 4, 1985, pp. 45-56. The Commission also expects to issue an order in the near future addressing requests for additional relief for small businesses. The Commission recently responded to the report of the House Small Business Committee in a letter dated April 3, 1985. That letter stated:

> We believe that the access charge plan, with the modifications adopted, is fully justified. The Commission reached its decision based on more than 80 volumes of evidence, numerous hearings, several comprehensive studies and the recommendations of the Federal-State Joint Board. The Commission's access charge plan has been, and with experience will continue to be, refined, and we believe the plan as it has evolved best balances four important policy goals—(1) prevention of uneconomic bypass; (2) preservation of universal service; (3) elimination of unreasonable discrimination; and (4) promotion of economic efficiency.
>
> All subscribers, including residential, small business and large business subscribers, will benefit from the Commission's access charge plan in the long run. Increased economic efficiency and the deterrence of uneconomic bypass will assist the general public. We recognize that some subscribers will experience a net increase in their phone bills due to subscriber line charges. However, business customers, including small business customers, as a class will receive a net decrease in their phone bills due to the lower interstate rates resulting from subscriber line charges. Moreover, any net increase experienced by small businesses will be a relatively small percentage of their phone bills (generally under 5%) and an extremely small percentage of their revenues. (Phone bills constitute less than one percent of revenues). Finally, some 60% of small businesses have only a single

line, and already have been provided relief by the Commission through the delay of single line business and residential subscriber line charges for one year and the limit of those charges to $1/month for the first year and $2/month for the second year. More importantly, the Commission is committed to carefully monitoring and reviewing its access charge plan to ensure the preservation of universal service. The Commission, working with the Federal-State Joint Board, is developing additional lifeline programs. In addition, the Commission will undertake a comprehensive review in mid-1986 of the effects of its access charge plan. That review will examine both residential and small business impacts.

QUESTIONS SUBMITTED BY SENATOR CHILES

I have heard concerns expressed over the way the FCC has, and is handling the allocation of ITFS channels. The concerns involve the use of these channels for genuine educational purposes and for local educational use.

As you know, there is considerable competition for these channels. Would you respond to the following questions.

ITFS CHANNELS

QUESTION: How does the FCC propose to decide which applicant, in cases of mutually exclusive applications, is given a license?

ANSWER: The Commission presently has an outstanding rulemaking proceeding pending in the Instructional Television Fixed Service. *Further Notice of Proposed Rulemaking* in MM Docket No. 83-523, 49 Fed. Reg. 32610 (August 15, 1984). The proceeding was initiated because of a significant increase in the number of ITFS applications recently filed. The Commission noted that the interest in the spectrum was, in part, a result of the Commission's decision to permit the use of ITFS excess channel capacity for commercial purposes and that a large number of applications were submitted by non-local, national entities that were backed by commercial operators.

The *Further Notice* stated that while increased usage of ITFS spectrum is desirable, further consideration of certain aspects relating to the use of channel capacity for non-ITFS purposes, was necessary to assure the preservation and effective growth of the service. Comments were solicited on a number of matters, including eligibility requirements for becoming an ITFS licensee. This included matters pertaining to the *bona fide* educational nature of applicants (considering such things as accreditation, educational background and experience, history of educational service) and demonstrations by non-local applicants of local participation in the development and use of the educational programming on the proposed systems. Comments were also solicited on procedures and criteria for choosing among mutually exclusive applicants, with instructional programming for students, the amount of other types of ITFS programming proposed, and the local nature of the applicant listed as important criteria to be considered.

Numerous comments have been received and a *Report and Order* concluding the proceeding is expected to be considered by the Commission in the third quarter of this fiscal year.

QUESTION: What oversight will be maintained over allotted channels to assure that they are actually used for local education? How will the FCC see to it that these channels, proposed for educational use, actually continue to be used for education?

ANSWER: The Commission presently prohibits a licensee from leasing or otherwise using excess channel capacity on any channel for non-ITFS use unless that channel is being used for educational, instructional or other ITFS programming purposes for a minimum of 15 hours per week during the period between 8:00 a.m. and 10:00 p.m. each day, Monday through Friday, excluding holidays and vacations. 47 C.F.R. 74.931(e). In the *Further Notice (Docket 83-523)*, the Commission stated that it believed some minimum standard is necessary when non-ITFS use of channels is involved and proposed to retain a 15-hour minimum unless comments suggested the appropriateness of a higher standard. Comments were also solicited on whether the standard should require a minimum operation on a per-day, rather than a per-week, basis. Furthermore, recognizing that ITFS channels were allocated in the first instance for in-school educational purposes, which are generally under local control, comments were invited as to the extent a non-local applicant should demonstrate local involvement prior to being issued a construction permit.

These and other standards to be formulated in the rulemaking are intended to assure the use of authorized ITFS channels for local ITFS programming purposes by a licensee. The Commission, of course, will deal seriously with any evidence that a licensee willfully misrepresented its intention to the Commission or is, during the license term, using the facility for purposes which are not permitted under ITFS rules and policies.

QUESTION: What provisions and procedures will be put in place to recapture the channels for educational use if (a) they slip into commercial use beyond what is considered appropriate, and (b) if local education needs grow to the point that educational requirements exceed available channel space and time on the channels?

ANSWER: In the *Further Notice of Proposed Rulemaking* (MM Docket No. 83-523), the Commission is also considering the extent of control a licensee should be required to exercise over its facilities when the facilities are being shared by others. In this regard, comments were solicited as to a licensee's ability in such cases to recapture air time from the leasing party or to otherwise have time available to meet changing ITFS needs as they arise.

QUESTION: When will the FCC get on with the task of making decisions concerning the problems of educational vs. commercial use of ITFS channels? Many people and institutions need to move ahead with building and use of ITFS systems, but are blocked from doing so because the FCC has not taken action.

ANSWER: Section 74.902(d) of the Commission's Rules, 47 C.F.R. 74.902(d), limits a licensee to the assignment of no more than four channels in a single area of operation. This limitation applies only to a particular area and certain state entities have four-channel systems in numerous communities throughout a state (e.g., South Carolina Educational Television Commission).

In originally establishing the four-channel limitation, the Commission reasoned that such a limitation in a given area was necessary to assure a fair and equitable distribution of ITFS channels among several potential applicants. At one time the Commission considered relaxing the limitation, but recent actions permitting the leasing of ITFS excess channel capacity for non-ITFS use and removing a number of the technical restrictions placed on ITFS licensees have resulted in a significant increase in the demand for ITFS channels. Given the increased and increasing demand for channels, the diversity of services that can be provided by the greatest number of licensees in a given area, and the flexibility that four channels provides applicants in designing systems, the Commission has determined that retention of the four-channel limitation is justified. Report and Order in MM Docket 83-523, 49 Fed. Reg. 32590 (August 15, 1984), aff'd., Memorandum Opinion and Order, FCC 85-11, released January 15, 1985.

QUESTION: What criteria can and should be used to waive the present FCC requirement that a given local educational institution may receive a license for only four ITFS channels?

ANSWER: In deciding to retain the limitation, the Commission did note that licensees seeking more than four channels could request a waiver of the rule. The Commission stated that the waiver burden would be high, particularly in areas where a large demand for channels existed, but that it would consider factors such as how the additional channels would be used for ITFS purposes and whether present channel capacity is insufficient to accommodate demonstrated additional needs.

QUESTIONS SUBMITTED BY SENATOR DECONCINI

LOW POWER TELEVISION

Ever since low-power TV came on the scene it has caused nothing but problems. Staff at FCC have tried as hard as possible to help special case situations that have gotten caught up in the low-power TV backlog, but often they have been limited by the Commission's rulings.

QUESTION: Has the FCC considered doing anything to "fix" low power TV especially in the area where translator applications are getting caught up in the low power mess? It seems logical that in areas with no television service (and in Arizona we still have areas without service), an extra effort should be made to approve translator applications. In Arizona we have a specific case in which translators are needed to deliver television signals to rural portions of the State. These translators are funded by taxpayers through a county tax district and run by the county. Can the Commission do something to rectify these kinds of problems so that special exceptions can be made in special circumstances?

ANSWER: By Report and Order, MM Docket No. 83-1350, the Commission determined that it would be in the public interest to maintain the present balance between the goals of maintaining the television translator service and encouraging new low power service. Therefore, no processing priorities are accorded to television translators.

Specifically, as stated on the above-referenced docket, based on our experience and the comments received in the rulemaking, the public interest will best be served by the expeditious processing of all applications and not by choosing one group of applicants in favor over another. We have not been persuaded that expedited processing of television translator applications must come at the expense of providing maximum flexibility for existing television translator stations that want to change to low power television status and new low power television stations that can provide a local programming outlet beyond the capability of a television translator.

Under the Commission's rules, a low power television station may operate as a television translator, rebroadcasting the programming of a full-service television station. The basic distinction between low power television and television translator stations is that television translators are limited to rebroadcasting the signals of full-service television stations and cannot do more than 30 seconds of local origination programming per hour. Low power television stations may carry any type of broadcast programming and do any amount of local origination programming. Thus, any attempt to give a processing priority to television translators should take into consideration all the low power television applicants that propose to operate as television translators. A provision would have to be made for giving the same priority to these low power television applicants. New restrictions on programming changes for low power television and television translator stations would be necessary to maintain the integrity of this television translator priority. Significantly, restrictions on changing from television translator to low power television status would unduly penalize television translators that desire to do small amounts of local origination programming. The low power television service was initially designed to allow existing translators to provide some local origination programming. This flexibility is still a valid goal and should not be restricted. Since low power television licensees may operate as translators and also originate programming, hybrid systems have become a popular method of operation. Low power television stations are operating as translators for a good part of the time, with the institution of some local origination programming as appropriate for a particular area. Despite the fact that low power television stations are commonly thought as of stations that engage in continuous program origination, many communities, particularly the smaller ones, lack the resources to sustain such a station. However, some of these communities may desire local programming on a limited scale. Local news, sports events and public affairs programs are now carried on an occasional basis by low power television stations that were previously strictly limited to rebroadcasting by the Commission's television translator rules. The elimination of this flexibility, which would be required by priority processing, would be destructive to the further development of these hybrid stations. In addition, relaxation of the origination requirements has permitted former exclusively translator operations to convert to low power television and to establish an economic base in a particular community by selling advertising time. The income so generated is used to finance the translator portion of the operation. Thus, a priority for translators may be short sighted. Low power television as a broadcast service is in its infancy and should be given an opportunity to develop without further restrictions. In any event, the primary complaint of those parties advocating a priority for television translators is that processing in combination with low power television applications has caused delays in the granting of television translator applications. The recent rule changes, particularly the use of window filing periods, will substantially reduce the processing time for television translator applications without providing a specific priority for such applications. The use of windows will eliminate the practice of over-filing competing applications on television translator applications. With fewer mutually exclusive situations, the applications which are filed may be processed more expeditiously. Therefore, we believe that expeditious action on television translator applications may be provided without the need to designate television translator applications as a priority.

U.S. ARMS CONTROL AND DISARMAMENT AGENCY

STATEMENT OF KENNETH L. ADELMAN, DIRECTOR, U.S. ARMS CONTROL AND DISARMAMENT AGENCY

ACCOMPANIED BY:

WILLIAM J. MONTGOMERY, ADMINISTRATIVE DIRECTOR
ALISON FORTIER, DIRECTOR OF CONGRESSIONAL AFFAIRS
WILLIAM S.S. AMOROSO, BUDGET AND ACCOUNTING OFFICER

BUDGET REQUEST

Chairman HATFIELD. The second agency appearing today is the Arms Control and Disarmament Agency. The request for ACDA totals $25,614,000 for fiscal year 1986. In addition, there is a supplemental request of $4,321,000 in order to support the principal negotiations with the Soviets in Geneva. The need for these funds obviously arose after Congress enacted the current budget for ACDA last year.

Appearing on behalf of ACDA today is its Director, Mr. Kenneth Adelman, accompanied by William Montgomery, Administrative Director; Alison Fortier, Director of Congressional Affairs; and William Amoroso, Budget and Accounting Officer.

PREPARED STATEMENT

We welcome all of you today. Your entire statement will be placed in the record. If you wish to proceed to highlight it or summarize it, we would begin.

[The statement follows:]

PREPARED STATEMENT OF KENNETH L. ADELMAN
DIRECTOR
U.S. ARMS CONTROL AND DISARMAMENT AGENCY

Mr. Chairman, it is once again a privilege to appear before you and the Appropriations Subcommittee. We look forward to working with you and the other members of this Subcommittee. We appreciate the strong interest in ACDA and the support which this committee consistently demonstrates for ACDA.

The President's FY-86 budget request for ACDA was set at $19,468,000 at a time when our principal negotiations with the Soviets in Geneva had been halted. As you know these important talks have not just resumed but now have with an expanded scope and resulting increased support needs. This has required us to seek an amendment to our original FY-86 request for additional funds in the amount $6,146,000. A revised budget justification has been submitted to your staff for a new FY-86 budget request of $25,614,000 and an increase in our full-time equivalent ceiling of ten positions to a total of 208. These additional support requirements will also require additional funding in FY-85 and we have received approval from OMB for a supplemental appropriations request for that year for $4,321,000. This will result in a total appropriation for the year of $23,789,000 and an increase of nine in our personnel ceiling from the present level of 198 full-time positions for a total of 207 full-time equivalents. Before we begin detailed discussions of these requirements, I would like to review for you some of the recent developments concerning arms control activities.

We began the first round of the "new" negotiations on nuclear and space arms in Geneva on March 12, 1985 with a Heads of Delegation meeting. We have also had several subsequent meetings of the combined delegations. The first meeting, to iron out procedural matters, was held in the Soviet Mission. We were represented by Ambassador Kampelman, who heads the American delegation and is also our principal negotiator on defense and space. Ambassador Kampelman was accompanied by the other two principal negotiators, Ambassador Tower for START and Ambassador Glitman for INF. The normal procedure which is being followed for these talks is for the sides to alternate hosting the formal meetings. The subsequent meetings of the combined delegations have focused on substance, with both sides beginning with process of laying out their respective objectives and positions for these negotiations.

There are clearly large differences between the two sides. However, the initial presentations have been useful in clarifying these differences which we hope to address in detail in the three specific negotiating groups. The delegations have agreed to keep the proceedings of the negotiations confidential in order to ensure an environment in Geneva for serious efforts to resolve these differences and one that will lead to sound, mutually-acceptable agreements.

The basic U.S. objectives in these negotiations can best be summarized in the strategic concept which the United States developed prior to the January meetings with Soviet Foreign Minister Gromyko:

> During the next ten years, the U.S. objective is a radical reduction in the power of existing and planned offensive nuclear arms, as well as the stabilization of the relationship between offensive and defensive nuclear arms, whether on earth or in space. We are even now looking forward to a period of transition to a more stable world, with greatly reduced levels of nuclear arms and an enhanced ability to deter war based

upon an increasing contribution of non-nuclear defenses against offensive nuclear arms. This period of transition could lead to the eventual elimination of all nuclear arms, both offensive and defensive. A world free of nuclear arms is an ultimate objective to which we, the Soviet Union, and all other nations can agree.

We will work toward that end in each of the three working groups in which the U.S. and Soviet negotiators will meet in Geneva: strategic nuclear, intermediate-range nuclear, and defense and space arms.

In strategic nuclear arms, the U.S. is seeking deep reductions in the numbers and in the destructive power of strategic forces rather than setting a ceiling toward which each side can build. We recognize that there are asymmetries in the U.S. and the Soviet force structures. Therefore, we are prepared, as the President has made clear, to explore trade offs to reach an agreement.

In intermediate-range nuclear weapons, we also seek deep cuts in the U.S. and Soviet forces. We would prefer to eliminate all longer-range land-based INF missiles on a world-wide basis. Given Soviet refusal to accept such a radical approach, we proposed in the earlier INF negotiations an interim agreement to limit each side to a low equal number of INF warheads world-wide. Over the course of the negotiations we have made other modifications to our proposals to meet stated Soviet concerns. We are prepared to build upon the flexibility of our fall 1983 position prior to the Soviet walk-out of the talks.

In the third, or Defense and Space group, we have several goals:

We want to examine with the Soviets whether new defense technologies might not provide a more stable and reliable deterrence than solely the threat of mutual destruction.

At the present time, the U.S. is exploring through research whether these new defense technologies would prove feasible--that is, whether they would be effective so as to enhance stability as opposed to inviting a pre-emptive first strike. Also, they would have to be cost-effective at the margin--it should be cheaper for each side to add defenses than to add offensive countermeasures to overcome the other side's defenses.

In exploring these new defensive technologies through research, we are fully cognizant of our obligations not only under the ABM Treaty but also under the Outer Space Treaty and the Limited Test Ban Treaty. I would like to stress, however:

--that the ABM Treaty does not limit research on defensive systems,

--that there is no verifiable means to ensure against research, and

--that, in fact, the Soviets have conducted a vigorous and extensive ABM research program that dwarfs our own ever since the ABM Treaty was signed in 1972.

A primary U.S. goal in Geneva will be to reverse the erosion of the ABM Treaty. We are extremely concerned that the Soviet ABM program is much broader than that associated with ABM defense of the one site permitted by the ABM Treaty. As we reported to Congress on February 1, 1985 the Soviet large phased-array radar at Krasnoyarsk is a clear violation of the ABM Treaty. We are, moreoever, concerned about a Soviet capability to break-out of the ABM Treaty with little advance warning. Therefore, we will seek, in the Defense and Space group, to reverse the erosion of the ABM Treaty.

Our view of the interrelationship of the three negotiating groups at Geneva differs from what the Soviets are saying. We believe that the three negotiating groups are interconnected but that it may be possible to reach an agreement in one area without concurrently reaching an agreement in all the groups. One area should not be held hostage to the others. Rather, both sides should benefit from an agreement in any one area as soon as we are able to reach it.

We are concerned that the Soviets may seek to conduct the kind of propaganda campaign against SDI--and indeed we have seen many signs of this already--that they have conducted against the deployment of the Pershing II's and GLCMs in Europe. Their earlier campaign failed to drive a wedge in the Alliance and so shall their campaign on SDI. To that end, we are consulting extensively on the negotiations with the allies and discussing the SDI thoroughly with them.

Moreoever, we are seeking from Congress support for the SDI and for Strategic Modernization including the MX missile. These programs are critical to enhance stability and to demonstrate U.S. resolve to the Soviets. Should Congress make unilateral cuts in the U.S. strategic modernization program, there will be little hope that we will convince the Soviets to make real reductions in their strategic forces. The upcoming vote on the MX missile, therefore, is not only critical from the perspective of U.S. defense modernization but also it is critical to achieving a real arms control agreement with the Soviets.

Mr. Chairman, Members of the Subcommittee, the dicussion of our current talks with the Soviets naturally leads me to ask for your support for our Fiscal Year 1986 request. ACDA's main responsibility and the reason for this funding is to formulate and analyze arms control proposals and to evaluate their verifiability and their implications for U.S. national security.

Mr. Chairman, at this time I would like to submit to the Subcommittee ACDA's request for the Agency's appropriation level for FY86 and ACDA's request for an increase in the Agency's appropriation level for FY85.

I hope you will appreciate that this year has been an extremely unusual one from the standpoint of being able to estimate our resources requirements. As you know, Secretary Shultz' meeting with Foreign Minister Gromyko took place in early January of this year, and the agreement to resume arms control talks with the Soviets has changed our support requirements significantly. Since that meeting we have been working closely with the State Department, OMB, and other agencies to establish the level of support for the new arms control delegations in Geneva. We have now determined the amount of additional resources and personnel that will be needed for the work of the delegations in Geneva and also for our backstopping activities here in Washington. For FY85 we are requesting an increase in the appropriation level from $19,468,000 to $23,789,000, this is an addition of $4,321,000 for this fiscal year. For FY86 we are requesting an appropriation level of $25,614,000. This is an increase of $6,146,000 over the amount requested in the President's budget submission to the Congress.

The above appropriation levels have been arrived at by reviewing additional personnel requirements for the delegations and backstopping work, enhanced security items, improved office automation, more modern communications facilities, translator requirements, housing for the increased number of Ambassadors and their staff, and other items which will be essential for the smooth operation of the delegations. Included in these totals is funding for 207 full-time equivalent positions for 1985 which is an increase of 9 positions over the present budgeted staff complement. For FY86 we have made provision for 208 full-time positions. In addition to these provisions, there are the Ambassadors in Geneva and their immediate staffs. Therefore, we also have the salary and support expenses for these 20 individuals who have been assigned to ACDA on a reimbursable basis.

Our request for FY-86 representational funds has been amended to $43,000 which is an increase of $15,000 over the

$28,000 included in the President's submission. Our supplemental request also includes a request for representational funds with an increase of $10,000 from the present appropriated level of $28,000 for a total of $38,000. Our Ambassadors in Geneva strongly believe that the informal contact with foreign officials that these funds will permit are extremely valuable to their work.

When funds are authorized, they will be devoted primarily to the conduct of, and support for, the new negotiations on strategic and intermediate-range nuclear arms, and on defense and space arms control; on Mutual and Balanced Force Reductions; negotiations at the Conference on Confidence and Security Building Measures on Disarmament in Europe; at the 40-nation Conference on Disarmament, where we are working to develop effective limitations on nuclear testing and on chemical weapons; and at the United Nations in New York.

In addition, these funds will support implementation of our policy to prevent the spread of nuclear explosives to other countries; to support our obligations under the Treaty on the Non-proliferation of Nuclear Weapons and this year's NPT Review Conference; and to enable us to fulfill other statutory arms control responsibilities.

Mr. Chairman, two years ago when I appeared before this Committee for the first time to present the FY-84 ACDA appropriation request, I pledged "to invigorate ACDA to the fullest of my abilities." Today I would like to report to you on my efforts.

When I became ACDA Director, there were many vacancies within the Agency which hindered its ability to fulfill its responsibilities. These vacancies included critically important positions such as Deputy Director, and three of the four Assistant Director slots. We are now fully staffed. Former Congressman David Emery who had served on the House

Armed Services Committee joined ACDA as my Deputy. As for the Bureaus, Thomas Etzold serves as Assistant Director for Multilateral Affairs, Henry Cooper as Assistant Director for Strategic Programs, Lewis Dunn as Assistant Director for Nuclear and Weapons Control and Manfred Eimer as Assistant Director for the Verification and Intelligence Bureau. Not only were thse critical vacancies filled, but since I've been here ACDA's full-time equivalent positions ceiling has gone from 178 to our present request of 208, an increase of 16.9%. Also ACDA's FY-86 funding request reflects an increase of 66% over FY-83 reflecting the importance of ACDA in the arms control process and the President's commitment to it.

In addition, we have created a new office--the Office of Congressional Affairs--separating this function from the General Counsel's Office where it previously existed. We have taken this step out of recognition of the strong interest and role of Congress in U.S. arms control policy. Both our legal and Congressional responsibilities have increased. Thomas Graham, our General Counsel is also serving the Legal Advisor to the Geneva arms control delegation. It was our desire at ACDA to be fully responsive to Congressional needs to further the Executive-Legislative Branch process of consultation on arms control. As you are aware, I selected the new Director of the Congressional Affairs Office, Alison Fortier, from the House Foreign Affairs Committee. Alison also has working with her a deputy and two other Congressional Relations Officers who all have extensive Hill experience.

To review the integral role which ACDA plays in the US arms control policy process, I would like to summarize briefly some of our recent activities.

First, ACDA has been deeply involved in the preparations for the US-Soviet arms control talks in Geneva. We have fully participated in drawing up the US negotiating positions for the INF, START, and Space groups. The Deputy Negotiator for the Defense and Space Group is Henry Cooper who, as I previously mentioned, is ACDA's Assistant Director for Strategic Programs. Dr. Cooper co-chaired the Interagency Group tasked with preparing the U.S. positions on Defense and Space. In addition, ACDA, as an agency, is represented on each of the three negotiating teams and ACDA is back-stopping in Washington all three of the teams. We are providing for the record an outline of the US delegation for the Geneva talks.

Moreover, consistent with ACDA's statutory authority, under the direction of the President and the Secretary of State, for management of United States participation in arms control negotiations, the Agency will manage the operation of these negotiations.

In another important area of arms control, Dr. Manfred Eimer, ACDA's Assistant Director for the Verification and Intelligence Bureau co-chaired the Arms Control Verification Committee Analysis Group which prepared the recent reports to Congress on Soviet compliance with existing arms control agreements.

ACDA heads the US delegation to the 40-nation Conference on Disarmament (CD) in Geneva. ACDA also heads the US delegation to the U.N. Disarmament Commission, the US delegation to the UNGA First Committee which treats arms control issues, and ACDA heads the US delegation to the NATO Disarmament Experts which meets twice a year in Brussels. The U.S. Deputy Representative to the Conference on Confidence and Security Building Measures and Disarmament in Europe (CDE) is an ACDA official.

ACDA is also the lead agency in the Executive Branch for the Nuclear NonProliferation Treaty Review Conference. Dr. Lewis Dunn, my Assistant Director for Nuclear Weapons and Control, has the lead in U.S. preparation for the September 1985 NPT Review Conference. These activities and many others are described in greater detail in our Congressional Presentation Document.

Mr. Chairman, distinguished Members of the Committee, I conclude by asking your support for the Fiscal Year 1986 ACDA appropriations request and for the supplemental appropriations requirement for FY85. We look forward to working with this committee and with the Congressional Arms Control Observer Group and to do everything possible to facilitate the rightful role of Congress in the arms control process.

Chairman of Delegation

Max Kampelman

Warren Zimmerman (Deputy)

Legal Advisor
Thomas Graham (ACDA)
Assistant Legal Advisor
Ray Waters (ACDA)

Mr. R. James Woolsey
(Member-at-Large)

INF

Chairman: Maynard Glitman
Deputy: John Woodworth

Agency Reps

JCS: General William Burns
State: Leo Reddy
ACDA: Stanley Riveles
OSD: John Woodworth

STRATEGIC NUCLEAR FORCES

Chairman: John Tower
Deputy: Ron Lehman

Agency Reps

JCS: Major General Don Aldrich
State: Ed Ifft
ACDA: Robert Einhorn
OSD: Michael Mobbs

DEFENSE & SPACE

Chairman: Max Kampelman
Deputy: Henry Cooper

Agency Reps

JCS: Brig. General Van Inwegen
State: Greg Suchan
ACDA: Henry Cooper
OSD: Colonel Daniel Gallington

ACDA is backstopping in Washington the three areas of negotiations:

Louis Nosenzo for Defense and Space
Victor Alessi for Strategic Nuclear Forces
R. Lucas Fischer for INF

FISCAL YEAR 1986 BUDGET REQUEST

Mr. ADELMAN. Let me summarize it very quickly, Mr. Chairman. Thank you for having this hearing.

Our request is for, as you say, $25.6 million for fiscal 1986, which is up some 32 percent from our original request duly submitted for appropriations. We have an increase of personnel of about 12 percent during this time. This is obviously to backstop and support the negotiations that are going on in Geneva right now. We have three negotiating teams there, and we had to do a lot of preparations and work, quite obviously.

Let me point out that since I arrived, when it used to be a grand story to run around town saying, ACDA was on its death bed and the agency was near abolition, that since my coming into the agency, the appropriations will have increased by 66 percent, which must be one of the great empire builds of all time in Washington during these days of fiscal restraint and cutbacks, ACDA's personnel will have increased by 20 percent.

Let me give you a heads up, if I may, Mr. Chairman, on the fact that for security and other reasons, in the future, it may make sense for the Arms Control Agency to have a separate building in Geneva. Right now we use part of the Botanic Building. So far it has been minimally acceptable, to tell you the truth. It faces a main street, two main streets, and it has other offices in the building, and adjoining apartments that share walls. From a security and espionage point of view, for physical security and information security, it would just be better to build an arms control negotiating building on the grounds of the mission, which would be away, as you know, from the traffic in the street.

Let me just end there and respond to questions.

Chairman HATFIELD. All right. Thank you. We appreciate brevity. [Laughter.]

Mr. ADELMAN. It is the soul of wit.

Chairman HATFIELD. That is right.

ACDA'S ROLE IN ARMS CONTROL POLICY

Mr. Adelman, we are all delighted with the resumption of the talks with the Soviets taking place in Geneva. When the President announced the delegation of Ambassadors Kampelman, Tower, and Glitman, I believe the press reported they were to report directly to the President.

Mr. ADELMAN. Yes.

Chairman HATFIELD. How does your agency fit in, in the development of policy issues that are going to be produced in Geneva, and how are these handled? Would you explain the structural relationships a bit?

Mr. ADELMAN. Sure. First of all, we participate, as the negotiators participate, in all National Security Council meetings on final positions. Those are usually very lively. Since November, when the Soviets said that they were coming back to the negotiating table, there has been I believe around 10 meetings with the President on the arms control situation. I have actively participated in all of those. I have been a full member of the team.

Secondly, the Arms Control and Disarmament Agency backstops the negotiations, meaning that when the instructions go out to our negotiating team, those instructions go out from ACDA. Between rounds or within a round, for changes of instructions, we take the request from the negotiating team and oftentimes we draft a response and then we check it with the various agencies around town. If they are not agreeable by phone, we all get in one room, and if not then, it bucks up the chain of command.

So we do the backstopping of the negotiations. Instructions go out and come in from ACDA.

Thirdly, what we do is have the reservoir of talent, of expertise, of historical record on the arms control negotiations. That means people who have been involved in this business since the dawn of the strategic nuclear negotiations. We keep such things as computer files on what the Soviets say in the negotiating forum.

So if they say well, our position has always been "X," we can go back to them and say no, it was "Y" on May 18, 1976, and then it changed to this. That proves very helpful as well.

RELATIONSHIP OF GENEVA NEGOTIATING GROUPS

Chairman HATFIELD. Mr. Adelman, I believe in your statement you indicated that our view of the interrelationships of the agencies in Geneva differs from what the Soviets are saying. Would you elucidate on that as to how these two sides are functioning in the context of relations there?

Mr. ADELMAN. As I remarked to Secretary Shultz when the subject first came up in January in Geneva, during these discussions with Gromyko, it is very much of a situation in classic Christianity. I was a theology major, so I can speak to it.

Chairman HATFIELD. Where?

Mr. ADELMAN. Glenow College in Iowa.

Chairman HATFIELD. Stockman took theology.

Mr. ADELMAN. I didn't know that.

Chairman HATFIELD. He took theology at Yale.

Mr. ADELMAN. For graduate school?

Chairman HATFIELD. Yes.

Mr. ADELMAN. I was undergraduate.

Chairman HATFIELD. Probably to your advantage. [Laughter]

Mr. ADELMAN. This is closely related, this business.

Chairman HATFIELD. Excuse me for interrupting.

Mr. ADELMAN. My colleague back there would appreciate that, a good theology major.

In the theology of these interrelationships there is a trinity and a unity both at the same time. The Soviets have obviously been wanting to stress unity. We have been wanting to stress the trinity. Namely, we would want progress in any negotiating realm where progress could be made. They would want to block progress on one round until there is progress on all three rounds.

Obviously, they want to do this to stack the deck so that SDI is scuttled on our part and not to make any movement in arms control or at least conclude an agreement until that happens.

Now, the situation is not that simple, but that is the general tug of the difference between the two.

Chairman HATFIELD. So now you and I have our trinitarian doctrine in common. [Laughter.]

Do you think that constitutes why they are making these statements, and they are not verbalizing it, maybe, as part of their propaganda?

Mr. ADELMAN. I would hope to subscribe to the Soviets some religious motivation. I don't think since Stalin any of their leaders have had good religious training.

I would say their position has always been to have the United States stop itself, to set the conditions. They said on deployments that they would never come back to the INF unless we took those missiles out of Europe. It has made comments like that. So it is the new form of leveraging public opinion. It takes the view that they would like one delegation and progress to be made in all three. If it is not made in all three, then it can't be made anywhere. We take a view that let's make progress wherever we can make it. The more places, the better.

Chairman HATFIELD. I heartily subscribe to that. In fact, I have often faulted the arms program negotiations because there was not a parallel on political negotiations. These are only going to be resolved as we resolve some of the major geopolitical questions and vice versa.

Mr. ADELMAN. But you might want to ask Mr. Novak about theology. He has spent a great deal more time than I have on this question. [Laughter] He is raring to go.

Chairman HATFIELD. Would you care to make any comments, Mr. Novak, on original sin? [Laughter]

Off the record.

[Discussion off the record.]

FUTURE OF COMPREHENSIVE AGREEMENTS

Chairman HATFIELD. Mr. Adelman, some commentators have reflected on these talks, and I think it ties in again to this very issue, that perhaps the days of the large, comprehensive arms control agreement are ended. The most we can hope for is a series of smaller, more narrowly focused talks on issues and that hopefully agreements would result. Is this further underscoring the point you make on the three-part actions going on?

Mr. ADELMAN. It is a related question. The question is a fundamental question that will be the big question in the next four years for this Administration's arms control. That is, quite frankly, what can arms control accomplish? Can it stop the Soviet strategic buildup and Soviet intermediate buildup and do away with chemical weapons, or can it not?

Is the situation so different in the Soviet Union today that they would be willing to make real reductions in strategic nuclear weapons where they have by and large not been willing to make reductions in the past; they have been willing to legitimize an arms buildup?

I guess that my position is that arms control can be helpful and should be made to be helpful. It cannot solve all of our security problems. It will not solve all of our political problems.

Our fundamental problems with the Soviet Union are not those that can be answered in an arms control agreement. The fundamental problems are those that deal with the fact that the Soviet Union is basically an expansionist power internationally, and basically a repressive totalitarian power domestically.

Arms control can never solve that. Arms control can help increase stability and reduce nuclear weapons in the world.

So a long-winded answer to your question is we should try and make arms control as productive as we can, without putting the whole assets of the entire enterprise in this arms control basket. In other words, benefit as much as we can, but also keep our strength and keep our political values quite clear.

BASIS FOR ARMS AGREEMENT WITH THE SOVIETS

Chairman HATFIELD. What will be the fundamental common denominator basis upon which you think an agreement can be reached? I assume you believe an agreement can be reached with the Soviet Union; it is not an exercise in futility?

Mr. ADELMAN. No. I wouldn't be here if I thought it was an exercise in futility.

I think what we should do, what we have an obligation to do as a country, is to formulate arms control agreements that would be in our interest and would be in the interest of mankind in general.

Chairman HATFIELD. What about the interest of the Soviets?

Mr. ADELMAN. The Soviet Union is just fine in formulating arms control agreements that are in their interest. We don't need to do their work for them.

Chairman HATFIELD. I don't suggest that. But it can be an agreement that results because of the interest of each.

Mr. ADELMAN. Absolutely.

Chairman HATFIELD. You don't feel there is a requirement from the Soviet Union to give up communism before we can reach an agreement?

Mr. ADELMAN. No. I think today one concrete example, Mr. Chairman, is that in the INF rounds, the Soviet Union has been saying now since the 1979 decision of December 1979, on the dual track, that they are very fearful of the Pershing II and the ground-launched cruise missile in Europe. They think that deployment will very much upset their security.

What we are saying is if that is the case, which I believe it probably is the case, then let's do away with this entire class of weapons systems.

That kind of fear that you have of these deployments is the same kind of fear that the European allies have had of these deployments of SS-20s in the Soviet Union. There is no reason both sides have to have greater insecurity. There is every reason both sides can have greater security.

It doesn't mean they have to give up communism or the tiger has to change its stripes. It means we can eliminate that entire class of weapons systems and be better off.

Chairman HATFIELD. Then the ultimate agreement could be founded upon mutual interests served in that agreement to each side?

Mr. ADELMAN. Absolutely.

Chairman HATFIELD. Senator Bumpers?

Senator BUMPERS. Thank you, Mr. Chairman.

ARMS EXPENDITURES AND TRANSFERS

Let me ask you a question about a document you produced last year in your agency on Soviet expenditures on defense. I don't have that in front of me. Frankly, I am not prepared for this today because I didn't realize that you were going to be here this morning.

But you had produced a rather thick document with a showing that since 1976 or 1978—and, incidentally, the CIA confirms this—that both ACDA and the CIA have overestimated Soviet defense expenditures by a magnitude of almost 2 to 1 since 1978. Is that correct?

Mr. ADELMAN. What we do, Senator, is on the arms transfer business and not the overall expenditures. The DIA and CIA do the Soviet military expenditures. By and large, they have been fighting about it ever since the enterprise began. They have a difference in estimates. We concentrate on arms transfers.

Senator BUMPERS. The document that we have in our office includes defense expenditures.

Mr. ADELMAN. Oh, the world military expenditures. You are right.

Mr. MONTGOMERY. And arms transfers.

Senator BUMPERS. I am talking about the expenditure part of it.

Mr. ADELMAN. OK.

Senator BUMPERS. I thought it was an amazing document because nobody around here admits they miscalculated in the past, or if they do, they use jargon so that you would never be able to glean from it that somebody had miscalculated. But I believe it was March of 1984 the CIA came out with an amazing document. And it was not more than 30 days after that, I think, that ACDA came out with one just like it, saying that the Soviets, instead of increasing their defense expenditures on the magnitude of 4 percent a year, had only actually increased their expenditures 2 percent a year. It went ahead to point out that both the United States vis-a-vis the Soviet Union and NATO vis-a-vis the Warsaw Pact powers had increased defense spending at twice the rate the Soviets had.

Now, this wound up on page 17 of the New York Times, but not long ago, less than 30 days ago, the Post came out with a major story on it.

Quite frankly, what I am getting at is the President keeps talking about this unprecedented Soviet military buildup. I want to know how those two square. Maybe they do.

SOVIET MILITARY BUILDUP

Mr. ADELMAN. I think the change in estimates is interesting in just the respect you mentioned. What the President is doing is taking an historical view of a long period of time and looking at Soviet buildup; in particular, the strategic buildup. I mean these are the days of the MX. The fact is that regardless of the change of estimate from 4 to 2 percent, the fact remains that the Soviet Union by and large is spending two to three times what we are in rubles or dollars in terms of strategic nuclear weapons, this strategic basket.

They have a series of weapons systems coming on like the 24 and 25.

A lot of those numbers, Senator Bumpers, and I have been looking at this for many years, they are difficult to decipher, not just because the intelligence may be changing from time to time, but the way it is structured, whether you build up the information by looking at the procurement accounts of that or seeing it from a top down kind of situation.

But I think it fair to say that the CIA estimates these days are for less buildup than has been in the past.

Senator BUMPERS. But the fact still remains, does it not, NATO has been outspending and is outspending vis-a-vis the Warsaw Pact. The Soviets have to put up virtually all the money for that.

Mr. ADELMAN. That is right. Now that doesn't diminish the threat that the NATO countries are facing in Europe because, obviously our expenditure on manpower is much, much higher than the Soviet expenditure on manpower. We have a comparability scheme, and obviously they do not.

Also, as you say, the Soviet Union bears a far greater percentage of the capabilities in the Warsaw Pact than the United States does today in NATO.

Senator BUMPERS. What is the President referring to when he talks about the unprecedented military buildup in the Soviet Union?

Mr. ADELMAN. He is referring to a situation basically since the early 1960's, the Soviet Union has been building, building, building, way beyond any kind of defense needs for that country, and especially in the strategic nuclear realm building systems that are for attaining or could be interpreted as attaining superiority.

There was a theory, let me say, in 1965–66, when Robert McNamara testified, or gave an interview, in which he said that the Soviet Union is not going to compete with us on strategic nuclear weapons at all. They have led that competition. They have exceeded the United States, I would say, in superiority in the strategic nuclear realm.

Then in the early 1970's the concept around the United States was that the Soviets would build up their strategic nuclear arms until they got parity with the United States. SALT I, and in some respects SALT II, was a confirmation or legitimization of parity. That is all the Soviets wanted. Now it just seems like they keep going on in these matters.

Senator BUMPERS. I think the President correctly points out to some extent that these agreements, simply because we have always used launchers and not warheads in our agreements, have sort of been a license indeed for both sides to add more warheads to their stockpile. When you talk about how when we negotiate, they build or when we agree, they build, and that sort of thing—I forget exactly the phrase that side is always using.

Mr. ADELMAN. That side is the Democratic Former Secretary of Defense, Harold Brown. When we build, they build. When we don't build, they build.

Senator BUMPERS. Since 1981, we have added 1,200 ACLMs. We have 100 B-52's now outfitted with 12 cruise missiles each. 264 B-52's, we have 100 of them now outfitted with 12 cruise missiles. I don't know how many more are scheduled for that. We have added 1,440 Trident I warheads. That is 2,640 warheads we have added to our arsenal in the last 3 years.

We have not been exactly sitting still in the last 3 years, have we?

Mr. ADELMAN. No, we have not. Let me just say the Soviets, and this includes ALCM's, without including cruise missiles, the Soviets have added almost 4,000 ballistic missile warheads since signing SALT II. But if your basic point is arms control has not been very effective in stopping the strategic buildup by both sides, I think your point is absolutely right. That is why in this administration the President has said (a) we should change the units of account away from the strategic nuclear delivery vehicle number and, second, we should go for deep reductions.

People around the country who want to freeze, for example, are saying something very different. They are saying that the present level of nuclear weapons is just fine, or that you might as well freeze and take the time to negotiate a freeze on all nuclear weapons, which would be an horrendous amount of time, rather than devote the time for deep reductions. The President feels deep reductions is the better path to go.

U.S. ARMS MODERNIZATION

Senator BUMPERS. Mr. Chairman, I have two additional questions. One is we have the Stealth, the B-1, three kinds of cruise missiles, Pershing II, the D-5, SDI, and the Trident submarine. I might say that I give this Administration credit for one thing. When the Soviets offered to forego the Typhoon in exchange for us foregoing the D-5 and the Trident submarine, we very wisely refused that. I favor the D-5 and the Trident and I favor all the rest of it. I don't favor the SDI or the MX.

But I mean sending Ambassador Kampelman off with all of that modernization—incidentally, Mr. Chairman, every bit of which started before Ronald Reagan was nominated—that isn't exactly sitting over there empty-handed as far as leverage is concerned.

Mr. ADELMAN. No. And I think it is all to the benefit of arms control. This is the first time ever we have negotiated with the Soviet Union in the strategic nuclear realm where we have a strategic modernization program that is vigorous.

In 1969, when SALT I began, Vietnam was of course eroding the strategic nuclear capabilities—not eroding, but holding steady. As I said, the U.S. policy at that time, as revealed by Robert McNamara's statement and afterward, was we had to hold steady on that strategic nuclear realm, by and large, and the Soviets would build up. First, they would allow us to have superiority all the time and then, after that was shown not to be true, they would get parity and then we would both kind of stop. Resources were being drained by Vietnam. The anti-military flavor in the country was such that there wasn't much strategic nuclear momentum in the 1970's. There were all kinds of good statistics to show that. This is the first time where we have that kind of strategic modernization program going at the same time we have negotiations. I kind of think that it is the more helpful sign for the negotiations.

Senator BUMPERS. Let me just ask one other question. Are we still interested in the 5,000 warheads limit?

Mr. ADELMAN. Yes.

Senator BUMPERS. Are we going to table such a proposal at Geneva?

Mr. ADELMAN. I would like to go into that in a classified hearing.

MX MISSILE

Senator BUMPERS. I would like to ask you this: When it comes to the MX, and I admit that battle is lost, I mean my side lost on that——

Chairman HATFIELD. Our side. [Laughter.]

Senator BUMPERS. I am sorry, our side lost. I am not talking about the Democrats, I am talking about the angels. [Laughter.]

What sense does it make, Kenny, to put a thousand warheads in fixed static silos and propose a limit of 5,000 warheads? You are putting the most nonsurvivable warheads, that is the new weapons system you are going to build, the most nonsurvivable, namely the MX, and take up a thousand of those warheads, which means we are going to have to dismantle much more survivable warheads in order to accommodate the MX, if we go for 5,000 warheads.

Mr. ADELMAN. Senator, would this not be such a formal hearing, I would say you have properly asked that question many times. I have properly heard that question and answered it many times.

Senator BUMPERS. Give it to me one more time.

Mr. ADELMAN. I will give you the same answer we have been through. Someone told me the other day there had been already 29 votes on the MX in the last 10 years, so an amount of time has been spent on that. The answer, quite frankly, is——

Senator BUMPERS. That is just one of the reasons.

Mr. ADELMAN. I know.

Senator BUMPERS. The MX is a good weapon. I know it is going to come out of the ground and it is going to land on the Kremlin dining room. Technically it is a perfectly good weapon. I am not quarreling about that.

Why are you walking out on me, Mr. Chairman? [Laughter.]

Chairman HATFIELD. This is the 30th time. [Laughter.] When the chairman of the House Appropriations Committee calls, I know how to—[Laughter.]

Senator BUMPERS. Go ahead.

VULNERABILITY OF U.S. STRATEGIC SYSTEMS

Mr. ADELMAN. The answer, quite frankly, is that the vulnerability of the United States after being considered in all of its peacock rainbows of the triad, and meaning that we only have 25 percent of our warheads in the land-based leg of the triad, and so the other two air-based and submarines are going to be more survivable, and so you look at vulnerability en masse rather than just on the land-based.

Second, you need some kind of balance or closer balance on hard target kill capability between the United States and the Soviet Union in order to have the deterrence in the first place.

The object of all of these systems we are talking about this morning is not what they would do in use but how they could never be used and prevent any kind of use.

Senator CHILES. How much do they weigh, their cost?

Mr. ADELMAN. You know, being in the strategic business for a long time, I have really come to the conclusion that so much of it is doctrine and words and impressions and so little of it is the hardware. Maybe that is the way it just has to be, because thank God, we have no experience in this area of strategic nuclear and, thank God, God willing, we will never have experience in that.

So it is something that you debate about. You get very exercised about it. You spend a lot of time on it. But we have no experience base.

In conventional arms we have hundreds of years and thousands of experiences in this field, knowing the systems and knowing how to counteract and knowing what would happen. In this realm we are just without the experience.

ACDA STAFF SIZE

Senator BUMPERS. How many people are in your agency?

Mr. ADELMAN. There are about 200, depending on detailees and all that. We have about 265 all totaled.

Senator BUMPERS. How does that compare with 5 years ago?

Mr. ADELMAN. I was saying that since the time that I came to ACDA, the number of employees is up 20 percent.

SALT II LIMITS

Senator BUMPERS. Are you going to recommend to the President we not break out of the SALT II limits this fall?

Mr. ADELMAN. I will have to look at that, all the evidence myself, because as it was stated in 1981 and 1982, the policy was we would continue to abide by existing arms control agreements if the Soviets showed equal restraint. We know the Soviets are not showing equal restraint right now because they are violating SALT II, the political commitments under SALT II, meaning the heavy level of incription and the SS–25.

So we will have to revisit that. We will have to look at what the military effect of that would be, the political effect in the existing negotiations, and, quite frankly, how much progress we are making in those negotiations at the time.

SOVIET TREATY VIOLATIONS

Senator BUMPERS. Have we filed complaints with the Standing Consultative Commission on the SS–25?

Mr. ADELMAN. Yes.

Senator BUMPERS. And on encryption?

Mr. ADELMAN. Yes.

Senator BUMPERS. How long ago?

Mr. ADELMAN. Right when the issue came up.

Senator Chiles. What is the Russians' answer on that?

Mr. ADELMAN. The Russians' answer on 25 is it fits within the description of what an old type missile would be. In other words, it does not fit in the parameters of what a new type missile would be in SALT II terms. This has to do with the throw weight comparison with the previous missile, the SS–13, and it has to do with other measures of the RV weight to the total throw weight, et cetera. So they make an argument that we don't find that.

On encryption, the Soviet argument is that SALT II provisions say that neither side will interfere with the verification capabilities of the other, in a way to verify the provisions of SALT II. We complain to the Soviets they are encrypting this telemetry. They ask us what we would like to see that they are hiding. We tell them we don't know because they are hiding so much. And we go around and around and around about it.

So it is like we make a deal that nothing this committee does——

Senator BUMPERS. Do you know enough, Ken, to know they are violating SALT II with their SS–25?

Mr. ADELMAN. Yes.

Senator BUMPERS. But it is only if they are also deploying an SS–24, isn't it?

Mr. ADELMAN. Yes. There is no doubt about that. The 24 is the designated new type missile being tested.

Senator **Bumpers**. Mr. Chairman, I was holding the fort until you got through talking to more important people. [Laughter.]

SUBMITTED QUESTIONS

Chairman **Hatfield**. Mr. Adelman, we do have some other questions that we will submit to you for the record. Thank you very much.

Mr. **Adelman**. Thank you.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR LAXALT

KRASNOYARSK RADAR

QUESTION: Again, according to your statement, "The Soviet Large phased-array radar at Krasnoyarsk is a clear violation of the ABM Treaty."

--What steps do you recommend that the U.S. take to bring the Soviets back in compliance?

--Does this incident reflect on the future of the current Geneva talks?

ANSWER: As the President stated in his report to Congress on February 1, 1985, our approach in pursuing this and other compliance issues with the Soviet Union is to ensure that both the letter and intent of treaty obligations and commitments will be fulfilled. The United States continues to seek from the Soviet Union through diplomatic channels explanations, clarifications, and corrective action. In addition, the Administration is taking into account in its defense modernization plans the security implications of this Soviet violation of the ABM Treaty. Finally, our objectives in the on-going Geneva negotiations include reversing the erosion of the ABM Treaty along with equitable, effectively verifiable arms control agreements which will result in real reductions and enhanced stability. Resolution of U.S. concerns about Soviet compliance is fundamental to the prospects of genuine arms control.

It is fundamentally important that the Soviet Union take a constructive attitude toward full compliance with all arms control obligations and commitments. In order for arms control to have meaning and credibly contribute to national security and to global or regional stability, it is essential that all parties to agreements fully comply with them. Strict compliance with all provisions of arms control agreements is fundamental, and this Administration will not accept anything less. To do so would undermine the arms control process and damage the chances for establishing a more constructive U.S.-Soviet relationship.

STANDING CONSULTATIVE COMMISSION

QUESTION: The standing consultative commission (SCC) is a bilateral U.S.-U.S.S.R. commission that meets to review implementation and compliance with the SALT agreements. According to your justification, the SCC will meet twice during 1985. Yet, we read in the press that later this year with the launching of our latest submarines, the U.S. will exceed the SALT limitations.

--If this is true, why are we planning to go ahead and participate in the SCC process.

--Will your agency participate in any decision to exceed SALT II limitations?

ANSWER: Because of Article XIII of the ABM Treaty, both the United States and the Soviet Union have a legal obligation to participate in the SCC. The requirement to hold no fewer than two SCC sessions per year is contained in Article IV of the Memorandum of Understanding Between the U.S. and the USSR of December 21, 1972, which formally established the

SCC as the forum for promoting the objectives and implemen of the provisions of the ABM Treaty, the SALT I Interim Agreement, and the Agreement on Measures to Reduce the Risk of Outbreak of Nuclear War between the USA and the USSR. In addition the U.S. has, as a matter of policy, addressed issues relevant to provisions of the SALT II agreement in the SCC. The U.S. Government has vigorously sought to resolve, and will continue to seek to resolve compliance issues with the Soviet Union through diplomatic channels, including the SCC.

Regarding the reference in the press to U.S. policy concerning existing arms control agreements, the President reaffirmed U.S. policy on February 1, 1985, stating "The U.S. is continuing to carry out its own obligations and commitments under relevant agreements" and we will refrain from actions which undercut them so long as the Soviet Union shows equal restraint. For the longer term, the Administration is carefully evaluating both the current situation on Soviet compliance and our own and allied national security requirements in determining our overall nuclear arms reduction strategy, of which the interim restraint policy is one element. In evaluating Soviet non-compliance and U.S. national security, the United States Government is maintaining its options concerning its own future compliance with the SALT II Treaty.

MUTUAL AND BALANCED FORCE REDUCTIONS

QUESTION: The mutual and balanced force reductions (MBFR) negotiations have dragged on for 12 years. Last year in an effort to get the talks off dead center, the NATO forces proposed a new draft treaty. Unfortunately, the talks ended without an Eastern response.

--Do you anticipate any progress on the MBFR talks this year?

--How long do you believe such talks should be allowed to continue without progress before they are declared a failure and you focus your efforts elsewhere?

ANSWER: The East has now responded to the western 1984 proposals. In February, 1985, the east presented a new proposal in Vienna which puts in legally-binding form the first two elements of the Eastern 1983 proposals--U.S.-Soviet initial reductions and a freeze on all forces--that had previously been outside the framework of a formal agreement.

The west is now assessing this latest move in Brussels and will soon begin considering how to respond.

It is true that the talks have gone on a long time (twelve years) without an agreement, and also that the two sides remain far apart on the central issues of data and verification. However, the talks have not been a waste of time and there is East-West agreement on many elements that would become part of an eventual MBFR treaty.

During the policy review of the Western position in Brussels, the U.S. and our Western negotiating partners will consider, in addition to the short-term question of how to respond to the latest Eastern move, general questions relating to the future of the forum and whether it is in the Western interest to continue our participation or seek other courses of action.

NON-PROLIFERATION TREATY

QUESTION: Not every country has signed the non-proliferation treaty (NPT) nor every latin american country the treaty of Tlatelolco.

--What arguments, promises or sanctions does the U.S. use to persuade non-signatory countries to join?

We stress that the NPT is one of the most important measures for promoting international security, that it has the largest number of parties of any arms control treaty in history, that our two countries share a commitment to preserving and promoting international peace and security, and that each additional party serves to strengthen this important instrument of peace.

QUESTION: What was the last country to sign each Treaty and when did that occur?

ANSWER: Brunei deposited its formal instrument of accession to the NPT on March 26, 1985. Suriname signed the Treaty of Tlatelolco on February 13, 1976.

QUESTION: Do you anticipate any successes this year?

ANSWER: We are in contact with a number of countries, and we look forward to some of them joining before the end of this year.

INTERNATIONAL ATOMIC ENERGY AGENCY

QUESTION: Do you believe the U.S. government is doing all it can to strengthen the activities of the International Atomic Energy Agency (IAEA)? Do you believe U.S. contributions to that Agency are adequate?

ANSWER: The U.S. Government continues to make every effort, within the limitations of available funds, to strengthen the IAEA and its programs. The U.S. could do more and better with the level of voluntary contributions sought by the Administration, particularly in terms of supporting technical assistance projects in specified countries that are parties to the Nuclear Non-Proliferation Treaty. The reduced amount expected to be appropriated, which is $5.7 million less than that requested, will reduce our ability to exercise a positive influence in this area.

ARMS CONTROL RESEARCH COORDINATION

QUESTION: With all your responsibilities, do you feel your external research budget is adequate?

ANSWER: Yes, these funds are adequate.

QUESTION: Last year GAO criticized ACDA's failure to coordinate government-wide research activities in the area of arms control. Have you taken steps in the last year to provide the necessary coordination and leadership, and, if so, what are they?

ANSWER: Let me enumerate chronologically the steps ACDA has taken regarding external research coordination and leadership over the past year and a half.

Oct. 23, 1983 - ACDA circulated memo to relevant agencies proposing meeting on regular basis for coordination of arms control research efforts.

Dec. 6, 1983 - First meeting was held and resulted in specific procedures being established.

May 23, 1984 - Memo from me to relevant agencies and departments provided executive level impetus to formalize coordination of arms control related research; thus, established the ARMS CONTROL RESEARCH COORDINATING COMMITTEE (ACRCC).

Oct. 3, 1984 - The ACRCC agreed to establish a computerized data base on past, ongoing, and planned arms control research as an instrument for interagency coordination.

Dec. 17, 1984 - The ACRCC finalized procedures to establish and maintain a computerized database. The ACRCC has and will meet periodically to exchange information relative to current research; review the operations and effectiveness of the procedures; consider other steps which could facilitate coordination; and discuss plans for future research. Agencies are now circulating final reports of arms control research projects to other interested government agencies and are inviting other agencies to contractor briefings. (For example, a briefing of DOD sponsored research was held in December.) ACDA, acting with the other members of the ACRCC, is reviewing existing databases for the most responsive and cost-effective system to compile and consolidate arms control related research documents.

Questions Submitted by Senator Rudman

OVERTIME AND HOLIDAY PAY

QUESTION: You have $95,000 allocated to overtime and holiday pay. What level of employee receives overtime and approximately how many employees receive this type of compensation? Would it be more cost effective to hire additional part-time help on an "as needed" basis?

ANSWER: This allocation is primarily for the administrative and secretarial support to the delegations in Geneva. These employees have non-exempt status, thus the Agency is required to pay them overtime and holiday pay for any time worked over a normal 8-hour day.

Secondly, these funds are used as necessary to provide administrative functions that cannot be handled during regular working hours, such as supervising carpet installation or office painting.

Additional part-time hiring would not be a solution to this Agency's overtime needs. Let me stress again that these needs are primarily for the negotiations thus requiring certain familarity with subject matter as well as top secret security clearances.

EMPOLYEE BENEFITS

QUESTION: If the $873,000 in benefits includes more than health insurance, and usual employer participation in compensation and retirement programs, please identify these benefits.

ANSWER: The $873,000 in benefits is approximately 11% of ACDA's staff personnel exclusive of reimbursable detailees. This amount includes only those benefits typically covered by most government agencies such as health insurance, and employers participation in compensation and retirement programs.

REPRESENTATIONAL FUNDS

QUESTION: Which line item contains the $43,000 representational funds? Will this money be directed primarily at entertaining the Soviets? Which other nations are regularly "courted" in this fashion? What level of representatives use this money; do "worker-bee" staff personnel get to utilize any of these funds for developing their rapport with counterparts?

ANSWER: The $43,000 in representational funds is contained in the "other services" line. That is correct, these funds are primarily used to entertain the Soviets while in Geneva; however, other nations such as our NATO allies and UN members also attend these types of functions.

Representational funds for overseas delegations are assigned to the delegation head for use at activities which they justify. Some representational funds are authorized for events which ACDA's presidential appointees feel require this expenditure. Attendance at these functions is determined by the senior requesting official.

OTHER SERVICES

QUESTION: What does the term "other services" generally include?

ANSWER: The line items labeled "other services" generally includes such catagories as external research; reimbursable agreements with State Department for administrative support, interpreters,and training; the Geneva operating allotment; accounting services provided by GSA; security clearances provided by OPM; computer support; representation; and other miscellaneous contractual services.

QUESTIONS SUBMITTED BY SENATOR INOUYE

SDI INITIATIVE

QUESTION: Why are we pursuing the SDI initiative, especially in a time of fiscal austerity when we can only guess at its final cost, which is being figured in the billions?

ANSWER: The purpose of the SDI research program is to determine whether there are defensive technologies that could lead in the future to survivable, cost-effective systems for defense against ballistic missiles. SDI is being pursued now because recent technological breakthroughs suggest that such defenses may be possible. Defenses against ballistic missiles could significantly enhance deterrence and stability. In addition, the SDI is a prudent response to long-standing and vigorous Soviet efforts in this field and provides insurance against Soviet efforts to develop and deploy unilaterally an advanced defensive system. The costs of the five year research program which we have undertaken comes out to about $20 for each American citizen over the period. Pursuit of this research program is a prudent and necessary investment in insuring our future. If this program succeeds in enhancing deterrence of war, and at the same time, reduces in particular the importance and effectiveness of ballistic missiles and thus, reduces the major current instabilities produced by the Soviet Union's large number of heavy, highly accurate MIRVed ICBMs, then it will prove a very worthwhile investment.

QUESTION: How have you explained this initiative to our European allies, and how have we responded to their concerns that SDI will serve little purpose other than to speed up the development and deployment of new Soviet weapons systems?

ANSWER: We are consulting closely with our allies on the SDI on both a multilateral and a bilateral basis, and will continue to do so as the program progresses. In addition, the Allies have been invited to participate with the U.S. in SDI research. The U.S. will work closely with our allies to ensure that, in the event of any future decision to deploy defensive systems (a decision in which consultation with our allies will play an important part), allied, as well as U.S. security against aggression would be enhanced. The U.S. has assured the allies, as we have publicly stated, that:

o The SDI is designed to find ways to strengthen the NATO strategy of deterrence, and to enhance the prospects for significant reductions in offensive nuclear arsenals.

o The SDI is a research program that will be pursued in full compliance with all U.S. arms control agreements, including the ABM Treaty.

o The SDI is looking at the entire ballistic missile threat, including shorter range systems such as the SS-20, which threaten our allies. An effective defense against such ballistic missiles could have a significant impact on deterring aggression in Europe, including our ability to deter Soviet conventionally-armed ballistic missile attacks on crucial NATO military targets throughout Europe. It would thus enhance deterrence against not only strategic nuclear attack, but against nuclear and conventional attack on our allies as well.

o SDI is also investigating development of defense against cruise missiles.

o SDI research will complement and support U.S. efforts to seek equitable, verifiable reductions in offensive systems. This is our highest priority objective in the Geneva negotiations. We believe this can be enhanced in the context of a cooperative arms control environment that regulates the offensive and defensive developments and deployments of the U.S. and USSR. Especially during any transition to a deterrent based on a balance of offensive and defensive forces, arms control agreements could help to manage and establish guidelines for the deployment of defensive systems.

Our efforts to consult with the allies have produced positive results. For example, when the President met with Prime Minister Thatcher last December, they agreed at Camp David on the following points regarding the SDI: (1) the aim of SDI is balance, not superiority; (2) SDI-related deployment, would, in view of treaty obligations, be a matter for negotiations; (3) the goal of SDI is to enhance deterrence; and, (4) negotiations on defense should enhance security and reduce levels of offensive systems on both sides. Another example is the recent endorsement of the SDI research given by allied representatives in the joint communique following the recent meeting of the Nuclear Planning Group in Eurpoe.

Finally, the allies are aware that the Soviets have been hard at work for years on advanced technologies for strategic defense and more traditional ABM technologies without regard to U.S. efforts. The Soviets have also violated the ABM Treaty with the construction of the Krasnoyarsk radar. During the past decade, the Soviets have engaged in a massive buildup of all categories of offensive weaponry as well, despite the existence of the ABM Treaty and the Treaty's commitment to negotiations for corresponding limitations on offensive forces. This pattern of Soviet activities leads us to be highly concerned over the possibility of a unilateral Soviet deployment of advanced defenses. In concert with the Soviet's massive offensive forces and impressive air and passive defense capabilities, such a development would have extremely adverse effects on U.S. and allied security.

QUESTION: What role will SDI play in our negotiations with the Soviets on arms control and disarmament, and on what grounds are we prepared to discuss the issue with the Soviets?

ANSWER: Our highest priority is to enhance stability through deep reductions in U.S. and Soviet offensive nuclear forces. Those systems exist now, and the continuing Soviet offensive buildup is of great concern to the United States and its allies. However, we must even now begin to look toward the future, and lay out our thoughts on how we might strengthen deterrence by moving away form the sole reliance on the threat of nuclear retaliation toward greater reliance on defenses which threaten no one. In his meeting with Mr. Gromyko on January 8, 1985, Secretary of State Shultz explained to him the purpose of the SDI research program. While the issues posed by SDI are for the future, he told Mr. Gromyko that the U.S. was nonetheless prepared to discuss now the question of strategic defense. The U.S. will explain to the Soviets in the Geneva negotiations its view of the relationship between offensive and defensive forces, the potential contribution defensive forces could make to increasing the stability of deterrence, and how we might cooperatively ensure a stable transition over time toward increased reliance on defensive forces. We will also discuss our concern about the erosion of the ABM Treaty, and Soviet non-compliance with this and other existing agreements. The U.S. is willing to discuss emerging technologies, and how these could contribute to a more stable framework for deterrence. Soviet efforts to stop U.S. SDI research should be seen for whay they are--an attempt ot preserve important areas of Soviet advantage in both the offense and defense areas.

ADDITIONAL COMMITTEE QUESTION

QUESTION: As strategic arms technologies get more and more sophisticated, the job of verification becomes more difficult. What are you doing, in conjunction with other agencies, to ensure that any future arms control agreement can be adequately verified?

ANSWER: New technologies and weapon systems, such as mobile and cruise missiles, are complicating verification. In addition, Soviet deception and data denial measures also contribute to making verification more difficult. To meet these challenges we are working closely with other agencies to ensure that intelligence resources are made available in a timely manner including the provision of additional and improved capability. Further, verification considerations are included from the beginning of the treaty drafting process to ensure that the treaty language is clear and is matched to the properties measurable by our intelligence collection capabilities. Within ACDA we are conducting intensive analyses of verification issues to enhance our insights into the points above.

BOARD FOR INTERNATIONAL BROADCASTING

STATEMENT OF FRANK SHAKESPEARE, CHAIRMAN, BOARD FOR INTERNATIONAL BROADCASTING

ACCOMPANIED BY:

- BEN J. WATTENBERG, VICE CHAIRMAN, BOARD FOR INTERNATIONAL BROADCASTING
- MICHAEL NOVAK, MEMBER, BOARD FOR INTERNATIONAL BROADCASTING
- JAMES L. BUCKLEY, PRESIDENT, RADIO FREE EUROPE/RADIO LIBERTY, INC.

BUDGET REQUEST

Chairman HATFIELD. Our final agency this morning is the Board for International Broadcasting. The fiscal year 1986 request for this Board, including grants to Radio Free Europe and Radio Liberty, totals $142,125,000, or an increase of $44,627,000, or 46 percent over the appropriation for the current fiscal year.

Appearing on behalf of the agency is Mr. Frank Shakespeare, Chairman of the Board, accompanied by Board Members, Ben Wattenberg and Michael Novak, and Senator James Buckley, President of Radio Free Europe/Radio Liberty.

We appreciate your presence here, gentlemen, and for helping the subcommittee in all of its deliberations.

I would only open by saying to Chairman Shakespeare that we feel you are certainly as saddened as we are in learning of the resignation of Senator Buckley as President of Radio Free Europe and Radio Liberty. From our perspective, Senator Buckley has been an outstanding success and we certainly wish him every success in the future in whatever endeavors he undertakes.

Assuming you cannot twist his arm or change his mind about reconsidering his departure, may I lead off by not only making tribute to Senator Buckley but asking who you have in mind for his successor? [Laughter.] Maybe you want to cover that in your own opening statement.

We are ready to hear from you.

GREAT WORTH OF JAMES BUCKLEY'S SERVICE

Mr. SHAKESPEARE. Thank you. I think actually, Mr. Chairman, probably the single most important decision this Board will make this year is the selection of the successor to Jim Buckley.

We on the Board certainly share your kind remarks about his performance. Professionally and ethically and all the ways that count, his service has been extraordinary.

He told this Board 2½ years ago when he was coming on that he would stay with us 2 to 3 years. We undertook his presidency with that foreknowledge. He has said to us that he will leave this summer or in the fall, at the Board's convenience, at the latest by the end of this calendar year. We will be spending the next few months diligently looking for a new president.

BUDGET REQUEST

In terms of our money, if I can try to put this just in round figures so we can understand it generally, our total request is for $142 million. Of that, approximately $1 million goes for administrative expenses of the BIB and its staff, the Federal agency that oversees the radios. The remaining $141 million goes to the operations of Radio Free Europe and Radio Liberty.

If we consider that part of the fiscal year 1986 budget request, the $141 million to operate the radios, in this current year the level for Radio Free Europe/Radio Liberty is about $100 million. So we are asking for $141 million, or an increase of $41 million.

Where is that money going to go? The biggest chunk of that money, nearly $40 million, is going to go for a substantial improvement in our transmitter facilities on the Iberian Peninsula and in West Germany to reach Eastern Europe and the Soviet Union with a stronger signal.

That money, the $40 million, is only this year's request for what will be a 3-year proposition. If the Senate approves the $40 million, it should be clear that it is not approving $40 million but a figure closer to $80 million over 3 years. So this is merely a cash flow request, if you will.

LEGISLATIVE MANDATE FOR RFE/RL MODERNIZATION PROGRAM

Chairman HATFIELD. Excuse me. It also has the legislative background of mandating you for this upgrading.

Mr. SHAKESPEARE. That is correct.

Chairman HATFIELD. So you are not only coming in here for an appropriation, to the appropriations process, but you will base that upon a legislative mandate.

Mr. SHAKESPEARE. A legislative mandate for modernization.

Chairman HATFIELD. You are asking now to implement a commitment we will be making on the authorization level.

Mr. SHAKESPEARE. Yes, sir.

ACTUAL PURCHASING POWER OF ADDITIONAL FUNDING

If we leave aside the $40 million for the transmitters, which we can discuss later, that presumptively leaves an increase of only $1 million. We have $100 million this year and are asking $142 million for next year, and I said the bulk of the increase is the $40 million for transmitter modernization. That would leave you with the thought we would have only one million additional dollars for operations. That is not really correct because, due to the more favorable dollar exchange rates against European currencies, we will pick up about $12 million.

So the real additional purchasing power that we are talking about, in addition to the $40 million for the transmitters, is about $13 million.

Where is that money going to go? That money is going to go in two chunks. Approximately $8 million of it will be inflation money on a keep-even basis. We operate with the overwhelming number of our employees in Portugal, Spain, and West Germany. It is the inflation in those countries which affects the bulk of our spending rather than the inflation in our own country. That accounts for $8 million of the $13 million.

The remaining $5 million is for new programs for this operation. Basically we are asking for 34 new positions. To put that in round figures for you, Radio Free Europe/Radio Liberty currently has about 1,750 employees on a worldwide basis. This request would add 34 positions to that base. In round figures, that would cost a little less than $2 million of the $5 million that I talked about.

We are substantially improving the computerization of our operation, affecting essentially the news and program operations, but primarily news. That will cost approximately $1 million.

There are also some housing and pension equalization programs that are approximately $1 million, and that is where the bulk of the money is going.

So I thought in my statement I might just make the basic point that you are really talking here about a major new commitment to transmitter modernization and you are talking about some small improvement programmatically, and that is it.

That completes the prepared overview, if you will, Mr. Chairman.

IMPACT OF AN FY 1986 BUDGET FREEZE AT THE FY 1985 LEVEL

Chairman HATFIELD. As you know, we are in the period of budget constriction. How would a freeze at the 1985 level affect this program? How would you assess that kind of impact?

Mr. SHAKESPEARE. There are two considerations. One would be the daily operation of the radios and the other would be the improvement in the signal. The dramatic effects would be in the signal area.

Chairman HATFIELD. The modernization program, you say?

Mr. SHAKESPEARE. Yes. The situation in Poland that has evolved and in some other parts of Eastern Europe has led to substantially increased jamming on the part of the Soviet Union. A number of our transmitters are very old. By very old, I mean they were put in place 30 years ago. The state of the art of those transmitters has changed dramatically. The incidence of higher-powered jammers and higher-powered competitive stations is extraordinary. So that, if we are going to be serious as a people and as a country and as a foreign policy about international broadcasting, then it behooves us to have reasonable state of the art in our signal.

Let me point out that while understandably, particularly at the Senate Foreign Relations Committee, we talk most of the time about programming, that programming is a derivative of signal. If you don't have an effective signal to people, it is academic even to appropriate money for programming.

In radio broadcasting, the mechanics are very, very simple. Basically, all we have is a building in Munich, which has a group of rooms in it like this that have microphones. From that building, we run wires to transmitting sites which exist in West Germany and on the Iberian Peninsula. Those transmitting sites clean up the signal and then pitch it into Eastern Europe and the Soviet Union.

It is of the essence that we have, as a people, the strongest, most powerful transmitting sites that it is reasonable and prudent to have. If we aborted the process of improving them, it would affect the signal operationally. In my opinion, as a citizen, that would really be a statement that we were no longer really serious about international broadcasting.

NO PRESENT SHARING OF RFE/RL AND VOA FACILITIES

Chairman HATFIELD. What kind of sharing do you have with VOA?

Mr. SHAKESPEARE. We have no sharing at the present time. There has been a tradition, perhaps an unwise tradition, ever since these operations were instituted, which was just after World War II, that they would be completely separate.

The reason for that has to do with the mission and has to do with their reporting. Initially, in the very beginning, Radio Free Europe/Radio Liberty was funded through the Central Intelligence Agency. That created certain psychological connotations. The Voice of America was completely overt in its functioning. Its mission was to represent the views and attitudes and report on the people of the United States to foreign peoples. The mission of Radio Free Europe/Radio Liberty was and is to be a surrogate local station, talking to people like their own local station about local issues.

I was once USIA Director, which encompasses VOA. Hostility is far too strong a word, but there was almost a competitiveness between the two. The Voice of America was understandably skittish that an association with RFE/RL would mean an association with the CIA, and they didn't like the feel of that.

So out of that tradition everything was separate, including transmitting sites. Their transactions were at arm's length.

POSSIBILITY NOW EXISTS FOR FUTURE SHARING OF FACILITIES

Now, the House and the Senate, in their wisdom, in the early 1970s, decided they would fund RFE/RL directly through the mechanism we are now involved in, that they would put the operations of the radios in the hands of a citizen Board to monitor them and set policy, that there would be published program guidelines and things of that nature.

Meanwhile, it became very evident that the VOA facilities were extraordinarily outmoded, and that Radio Free Europe and Radio Liberty were also outmoded, particularly their transmitters. So, starting in the mid-1970s, the U.S. Government embarked on an extensive modernization program for both networks. The continuation of it is what we are talking about to you now.

Since the advent of this administration, there has been a focus on rational ways to blend together engineering facilities while keeping management and programming and mission totally separate. It would be, in my opinion, a very serious mistake to confuse the missions.

But there isn't any reason why, if we are going to negotiate with a foreign country for a transmitter site and we could have huge towers with transmitters and antennaes, they couldn't, one, occupy the same site, and two, actually use the same transmitters occasionally at different times. That is the present thrust.

Now that doesn't exist in what I am talking to you about today, which is our sites in Germany and on the Iberian Peninsula. But down the road there will be sites which will be transmitting sites of the U.S. Government and which will be joint sites for the U.S. Government radio facilities, meaning specifically VOA and Radio Free Europe/Radio Liberty.

Chairman Hatfield. But if VOA is in the process of modernizing and updating their operation, shouldn't it be coordinated with your program?

Mr. Shakespeare. It is being carefully coordinated, sir.

Chairman Hatfield. It is?

Mr. Shakespeare. Yes; we are working hand-in-glove on the engineering and managing level. The relationship between Charlie Wick and us is very close. The relationship between us where negotiations have to be undertaken with countries for sites, all of that is closely coordinated.

I mentioned that feeling of innate, as I said, hostility was too strong a word, but let's say separateness. I think that that properly exists, rationally exists in the programmatic area, but it is understood now that it makes no sense whatever in the technical area.

INCREASED FUNDING LEVEL ENHANCES QUALITY OF PROGRAMMING

Chairman Hatfield. Mr. Wattenberg?

Mr. Wattenberg. Thank you, Senator.

I am chairman of the Program Committee of the Board. I want to comment on the program aspect of what a freeze at 1985 levels would do.

As was mentioned, you can't put your programs on the air unless you have the right hardware, and most of our new money will be going to transmitting hardware. On the other hand, you are not doing much for your services if all you have is hardware and not very good programming because the ultimate test of radio is: Are people interested, enthusiastic, excited? Do you have an audience that believes you and listens to you?

You mentioned earlier, quite correctly, Senator, that Jim Buckley has done a wonderful job. One reason Jim has been able to do a wonderful job is that Congress in its wisdom in recent years has given us a little extra money to do some programming—not enough, in our judgment, but the trend line finally after many years of near editorial starvation—I mean a static situation existed there some very few years ago—we are beginning to get a little bit of money.

Now, you can have money and still have poor broadcasting, but you can't have good programming without money. It just can't be done. I will mention that I write for a living sometimes. I just did a book tour and, in the course of about 2 months, did a hundred interviews around the country with radio, television, and press. I have just been astonished in the last few years at the change in media in America, the minicams and the new studios and the new presses and most of all the addition of personnel, more people to give them more time to research, more time to write, more time to make a story. That is very amorphous. It is very difficult to say well that we need another dollar for this free-lance writer or this sort of research program. But when you are putting over $100 million a year into the infrastructure, the proof of the pudding is what comes out over the air. It is the smallest part of our incremental budget, but the most important to continue to add—we have begun that process—to continue to add editorial resources to make these stations as good as they can be.

They are a great American journalistic enterprise. They are not nearly as good as they can be.

SIGNIFICANT INCREASE IN RADIOS' LISTENERSHIP

Chairman HATFIELD. Mr. Novak, do you have any comments to make?

Mr. NOVAK. Senator, thank you very much.

One of the tests of the radio is audience. Under Senator Buckley's guidance, the Board is happy to report that the audience in the Soviet Union, the Russian service in particular, has jumped from 15 million to 19 million. It is about a 29-percent increase, in a very short period of time. If you are a citizen of the Soviet Union, virtually the only place you would learn about the downing of the Korean airliner from the point of view of the United States, Japan, and others, about what is going on in Afghanistan, what is going on in Poland, or the change in economic practices in China, would have been over this service and a couple of other Western services.

The fact we are getting such an audience increase in our programs is considerably important. Every one of these programs needs a considerable amount of expertise. I have to support what Mr. Wattenberg said. You have to have people who know what is happening to Russian oil prices and where the Russians stand on oil and what effect that has on the economy. You need somebody who knows that. To hire that sort of person in London, which is where you would find such a person, requires looking for a unique talent.

We have very little capacity to find that kind of talent and offer a salary commensurate to the work. But when we do, it is just wonderful stuff that we can't get anywhere else.

ADDITIONAL QUESTIONS TO BE SUBMITTED FOR THE HEARING RECORD

Chairman HATFIELD. Mr. Shakespeare, we have other questions that we will submit to you for the record in writing, if you will respond. I will reserve the final comment to Senator Buckley for any farewell remarks.

BOARD'S USE OF ENGINEERING CONSULTANT SERVICES

Mr. SHAKESPEARE. May I, because those remarks are going to be very important, may I have the privilege of interjecting a small remark?

Chairman HATFIELD. Please do.

Mr. SHAKESPEARE. There is a small but very important matter. Last year in our appropriations you put on a $15,000 consultancy limit for engineering services of this Board. You did that in order to encourage the Board to fill a full-time engineering position, the only one on the BIB staff, that we had kept unoccupied for 4½ years now.

Perhaps the reason we did was my fault. I am very hesitant to take on full-time government employees if I can avoid it.

We felt we were getting very skilled advice through consultancies while we gradually looked for an engineer. We will in due course be seeking to add a full-time engineer this year.

Although the request before you shows an elimination of that position in fiscal year 1986, we will be filling it in fiscal year 1985. In the meanwhile, and merely as a matter of principle, with us projecting over the next 5 to 10 years, coming before this Congress for $500 million to $600 million in potential transmitting sites, to restrict this Board's ability to exercise its own prudent judgment of individual citizens to have engineering consultants as the Board sees fit, which then can be reviewed by you, is an absurdity. The Board feels very strongly about it. It was put in without any consultation with anyone on this Board. We respectfully ask you to consider eliminating it in this year's appropriation.

POTENTIAL EFFECT OF A FISCAL YEAR 1986 BUDGET FREEZE ON RFE/RL'S ENGINEERING NEEDS

Chairman HATFIELD. Thank you.

Senator?

Mr. BUCKLEY. Thank you, Mr. Chairman. It is a pleasure always to be here. I thank you for your very generous remarks.

May I up Frank Shakespeare's ante. If you can find an appropriate train going down the legislative tracks, if you can tack on an elimination of that item, it is vitally important. We have to prepare for this modernization program. Either we ask contractors to do the engineering for us in terms of designing specifications and so forth or we hire the temporary talent to do it on our behalf and on our terms and without a contractor's overhead added.

I should also point out that RFE/RL is looking for an engineer to be located in the United States. We are having great difficulty finding someone with the appropriate talents. Even if we find such an individual, it will be years before he achieves the kind of expertise that is required, and it will be extremely important to be able to retain a more experienced engineer to participate in consultations going on right now involving jamming and other multiagency activities.

In terms of your question about what would happen if we were frozen, if by a freeze you mean the 1985 level, with a U.S. inflator of 4 percent, or whatever it is, this will actually restore us to the position we were in for a dozen years when each year we had to contract. Because our expenses, largely incurred abroad, are subject to a 9-percent rate of inflation, we would have to find some way to cut back on our activities to 4 percent. The effect on capabilities and morale would be devastating.

Also, as a practical matter, because of the new equipment and so forth you enabled us to install—we have just entered the computerized age—if we don't have the operators to put in place, that equipment is wasted. It would be devastating in terms of the practical operation of the stations plus the morale of the people on whose extra effort the entire program, the entire mission, depends.

I would remind you that what we are engaged in now is not expansion but, rather, restoration. In the late sixties, the entire enterprise had 2,800 employees. We are now down to 1,750. Equipment was allowed to go untended. We don't believe we have a need to go back to 2,800, but we desperately need to consolidate the gains you enabled us to make in the past 2 years.

VALUE TO RFE/RL OF CONTINUING CONGRESSIONAL SUPPORT

I might also just say, which is the last time I will have this opportunity, that the kind of support we have received from your committee, from the authorization committees, and on the other side, has been tremendously heartening, not just to me personally but to the 1,700 people who are doing the Lord's work.

Chairman HATFIELD. We are most grateful to you, gentlemen, because you have provided the leadership necessary to get congressional response. I think it comes back as a reflection upon you all.

SUBMITTED QUESTIONS

The subcommittee has additional questions which we will submit for your response. They will be inserted at this point in the record.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR LAXALT

RFE/RL Transmitter Site Modernization Program

QUESTION: You are requesting $39.8 million to commence a three-year modernization program for RFE/RL transmitter sites. In a year of budget freezes, this initiative will receive intense scrutiny.

Please describe the need for this program, and outline its details.

ANSWER: This program is part of a ten-year transmitter modernization and enhancement plan which RFE/RL has developed for the period 1985-1995. When this plan costing $687,350,000 is completed, RFE/RL will have available a total of 85 shortwave transmitters compared to the present 45, with a total power capacity of 33,400 kW compared to the present 7,500 kW.

The need for this modernization is manifold. The present system of 45 transmitters does not reach all of Soviet Asia. Three new transmitting sites will be needed to correct this deficiency. Every transmitter in the present system for covering East Europe and the European area of the USSR is used during priority listening hours, and there is no reserve capacity. The current system is "gridlocked", so to speak, and cannot accommodate requirements for additional programming or short periods of transmitter enhancements of services during unforeseen political events, such as recently occurred in Poland. Contingency planning, moreover, is not possible with RFE/RL's existing transmission system.

Please briefly describe the rest of the 3-year program.

To overcome these deficiences, 63 new shortwave transmitters are recommended (51 - 500 kW; 9 - 250 kW; 3 - 100 kW) for installation during 1985-1995 at an estimated cost of $687,350,000 in 1984 dollars.. These are expected to provide RFE/RL with the capability of reaching almost the entire Euro-Asian landmass of the Soviet Union and for considerably enhancing signals in the face of jamming.

They will also make possible the accommodation of five additional program networks, and provide a contingency reserve transmitter capacity. During the period, 23 obsolete transmitters will be replaced.

FY 1986 modernization funds, originally requested at $90,250,000 were for the replacement of obsolete transmitters at Gloria, Portugal, augmentation of transmitters at Biblis/Lampertheim, West Germany, and for the conversion of the Maxoqueira, Portugal receiving station to a transmitter site and for other needed improvements at all these locations.

OMB has set a budget mark of $77,250,000 for FY 1986-FY 1988 modernization funding, $13,000,000 less than originally requested in the RFE/RL FY 1986 budget submission of September 1984. This reduction in funds has required that the number of replacement transmitters be reduced from 17 to 14. The original plan, calling for 17 transmitters, specified 6 - 500 kW transmitters for Maxoqueira; 8 - 250 kW for Gloria; 1 - 100 kW for Biblis and 2 - 100 kW for Lampertheim. In view of the reduction of $13,000,000, these plans have been revised to incorporate only the installation of the 14 transmitters in Portugal.

Gloria is RFE's principal station. It is optimally located to combat jamming. Over the next three years, $30,050,000 will be used to replace antiquated, lower-power transmitting equipment with 8 - 250 kW transmitters and to make mandatory improvements in the antenna-switching matrix and antenna system. The Maxoqueira project, costing $42.5 million, includes provision for the installation of 6 - 500 kW transmitters, 9 curtain antennae, support equipment, and needed building construction. This new facility will relieve the strain on other services caused by the need to increase the number of transmitters assigned to the Polish Service in order to respond to increased jamming of Polish programming. These new transmitters will also allow enhancement of the Baltic Service.

The remaining funds, $4,450,000 for Biblis and Lampertheim, will be used for installation of new antenna-switch matrices, which will allow for full utilization of all transmitters and antenna at these stations. In addition, limited transmitter-combining capability will be incorporated at these facilities which, will permit two 100 kW transmitters to be parallel for 200 kW operation. This combining capability will permit these two stations to deliver stronger signals into areas of the USSR farther to the East than the present facilities can.

QUESTION: Since 1975, 27 of your shortwave transmitters have been installed.

Given the recent influx of money, what would be the consequences of delaying this new initiative?

ANSWER: It is true that since 1975 twenty-seven new transmitters have been installed to replace older transmitting equipment. However, the remaining old transmitting equipment has yet to be replaced.

Much of the old transmitting equipment is very costly to maintain because many needed replacement parts are not available. These parts must be custom-built. Further, the performance of the old equipment is not sufficient for modern needs.

RFE/RL, through modernization and enhancement of its facilities, is striving to develop a modern system of transmitting facilities with each facility complimenting the other. In order to develop such a system fully, new equipment is required.

Funds currently requested are the first steps being taken towards developing the transmitting system specified in RFE/RL's ten-year modernization plan. If this program is delayed, it means that RFE/RL's need to respond to increased jamming in the Polish Service will be severely hampered; enhancement of the Baltic and Ukrainian Services will not be possible; and, further, RFE/RL's signal will grow weaker because of the recent worldwide influx of high-power, shortwave transmitters.

QUESTION: It is the Committee's understanding that this 3-year program is actually phase one of a long-range, very expensive expansion of your radio coverage in the Soviet Union and Eastern Europe. We further understand that this expansion program has been submitted to the National Security Council for approval.

Please describe your long-range plans.

ANSWER: The need for this program and an outline of its details have been included in the previous answer.

What are the projected costs of the entire program?

Funding for new sites and for modernization of existing facilities, where licensing agreements have not yet been reached, will not be requested through OMB until such requirements have been met.

Has the entire program been approved by the NSC? By OMB?

The ten-year transmitter modernization and enhancement plan for the period 1985-1995 has been approved by the National Security Council.

The plan has been submitted to the Office of Management and Budget. However, OMB has reviewed only those elements of the plan for which funds have been requested.

QUESTION: In the out-year parts of your modernization plans, you hope to share transmitter sites with VOA. At these locations which will be the lead agency for the construction? For operations?

ANSWER: Because of the modest size of the RFE/RL engineering staff, it has been agreed that the VOA will be the lead Federal agency for the construction of all new transmitting bases, but the operation of these facilities will be a joint effort.

At these locations, do you plan to use the same transmitting equipment to minimize installation and operating costs?

Planning for the new shared transmitting facilities has included studies to minimize the need for duplicative RFE/RL-VOA transmitting equipment.

Evaluators' Findings on Russian Service

QUESTION: According to your annual report, your outside Russian Service evaluators "found, as have previous evaluators, material based on Western sources to be more professional than self-initiated scripts."

Do you agree with this assessment?

ANSWER: Nearly all evaluators commissioned by the Board, including those performed by members of BIB staff, over the last ten years have made this point.

If so, are you doing anything to upgrade the quality of self-initiated scripts?

Several measures have been or are being taken to improve the situation. For example, Radio Liberty research has been brought closer to programming; training and language programs have been instituted; more scripts are being commissioned on a free-lance basis from such distinguished Russian writers as Vassily Aksyonov and Vladimir Voinovich as well as distinguished attorneys, scholars, economists, etc. Progress over the years, while gradual, has been significant.

FY 1983 Funding for Modernization

QUESTION: In 1983, we appropriated monies to the Board to enable you to replace 8 old 50 kW transmitters at Biblis and Lampertheim with 4 new 100 kW units. Yet for this initiative, the RFE/RL is requesting the monies.

What is the reason for handling the two programs differently?

Since 1976, the Board has been authorized to purchase transmitters and other specialized electronic equipment for RFE/RL installation and use. In the major modernization programs funded in FY 1978 and 1979, this arrangement assured mainttenance of federal procurement standards, including GSA inspection and competitve bidding, and produced substantial savings in European import duties, value-added taxes and insurance premiums. The same arrangement governed the FY 1983 appropriation, and we believe that the same practice should be followed in the new modernization program.

What is the status of the 1983 enhancement?

The new equipment is scheduled for delivery during early 1986.

RFE/RL Personnel Compensation

QUESTION: According to your justification, personnel compensation for RFE/RL will increase $2.8 million for FY 1986, due to a general salary increase of 4% for your West German employees, 30% for your Portuguese employees, and 15% for your Spanish employees.

Why are you asking for these increases when American Federal workers are being asked to accept a 5% pay cut?

ANSWER: RFE/RL functions as a private firm in European countries. Like any such firm, RFE/RL must deal with labor unions and negotiate cost-of-living increases based on the economic trends of the countries in which it operates. In the past when the Radios were under severe financial constraints, an attempt was made to pay less than the going rate in West Germany. The labor unions raised the issue before the German Labor Ministry, and the Radios were informed that they were expected to conform with West Germany norms. Annual salary increases in Spain and Portugal are included in the provisions of licensing agreements for operating in those countries.

Free-lance Payments to RFE/RL Employees

QUESTION: It has come to our attention that RFE/RL is using some of its appropriations earmarked for outside material to pay your own employees.

Under what circumstances does this occur?

ANSWER: There are basically four circumstances under which RFE/RL employees perform free-lance work outside of regular working hours:

--free-lance assignment covered by applicable job description/work contract; services are rendered to same department.

--free-lance assignment covered by applicable job description/work contract; services are rendered to other department (s).

--free-lance assignments not covered by applicable job description/work contract; services are rendered to same department.

--free-lance assignments not covered by applicable job description/work contract; services are rendered to other department (s).

Often an existing employee is better qualified, or more readily available, to undertake certain editorial assignments. There is a lack of qualified personnel in Munich to ensure expeditious completion of such assignments by non-employees. the use of RFE/RL employees in a free-lance capacity has often been necessary.

Why has RFE/RL adopted such a policy?

Although RFE/RL management is looking into possible changes in the utilization of full-time employees in free-lance assignments, it appears that the only alternative to the present practice is to compensate these employees through the payroll system by use of overtime payments.

RFE/RL Employee Housing Policy

QUESTION: Your justification for RFE/RL mentions $555,000 increase for "Annualization of costs for consolidated company housing policy".

Please describe this policy.

ANSWER: Employee housing policy is a part of the union contracts held with three West German labor unions and the American Newspaper Guild. Housing terms are spelled out in a company agreement co-determined (i.e., negotiated as required by German law) with the Works Council, an elected group of employee representatives charged under West German labor law with ensuring employer compliance with relevant provisions of labor law and adherence to union contract conditions. RFE/RL, Inc. housing policy is typical of multinational corporate and U.S. Government practice. RFE/RL, Inc. housing policy also meets the requirements of German authorities in granting work and residence permits, assuring that persons hired by the Radios will be housed and not be a burden on German social housing services.

Who is covered?

Briefly, housing is defined as furnished company quarters, with the employee having the option to receive a housing allowance in lieu of actual quarters. Housing entitlement goes to East European and Soviet-language personnel directly connected with programming, to U.S. and third-country national personnel where English is the work language and to any employees recruited from abroad.

The present RFE/RL housing policy evolved out of union negotiations following the 1976 consolidation of Radio Free Europe and Radio Liberty. Its aim was to resolve differences between the merged Radios' separate and different housing policies. There has been one ten percent increase in housing allowances since the 1976 consolidation, and that occurred in 1981. This means that the Radios' allowances lag far behind Munich rent levels and State Department allowance tables.

Negotiations are currently taking place with the labor unions for revisions in the RFE/RL housing policy which will eliminate remaining inequities, bring housing allowances in line with current Munich rent levels and redefine housing eligibility.

Expanded Russian Programming in Washington, D.C.

QUESTION: Your justification (RFE/RL) requests an increase in your travel budget for "Provision for expanded Russian programming in Washington". Please describe this program.

ANSWER: The Russian Service is on the air 24 hours a day. Using a second time zone in Washington, D.C., six hours away from Munich, extends by six hours the potential for live broadcasting and planning under normal work-hour supervision as well as giving better time options for late-hour broadcasting. Neither time zone is perfect for serving our audience; the two together substantially increase capabilities for newscasting and a breakfast show. This applies also to Ukrainian broadcasting and, on a free-lance basis, to the late-night newscasts of several other Radio Liberty services. Washington is the most important city in the world outside the Soviet Union to the Russian-language audience. While the Voice of America represents that city, it cannot report back to the audience in the Soviet Union in the same way as a foreign correspondent or, for that matter, RL can. In addition, Washington has become the prime center of relevant Soviet studies in the West. As an office which can draw upon the expertise to support the best single institution dealing with unclassified research on the Soviet Union, RL can considerably contribute to the Radios' performance.

In late FY 1984, RL began an increased programming effort in Washington with a staff of five. The Russian Service is planning to inaugurate a live morning show and has established a News Feature Section. Additional staff increases are planned for FY 1987 and FY 1988. The expanded programming effort will provide for: (1) seven Russian newscasts 24 hours-a-day, every day of the year; (2) daily Russian one-hour morning show; (3) increased capabilities for Russian samzidat (a good late-night feature) and human rights programming transferred from Munich; (4) full Russian coverage of Washington; (5) fresh night newscasts seven days a week for Ukrainian Service plus Washington topical coverage; (6) night newscasts for other services on free-lance basis; and (7) contributions to Muslim service programming.

RFE/RL News Bureaus

QUESTION: How many people do you have located in each of your news and program bureaus?

ANSWER: RFE/RL has 44 employees located in news and programming bureaus as follows:

Bureau Location	Program and News Personnel
Bonn	2
Brussels	2
Hong Kong	1
London	6
Paris	10
Rome	3
Washington	20

Evaluations of RFE/RL Language Services

QUESTION: According to your 1985 Annual Report, "Since 1978, the Board has been commissioning in-depth evaluations of various RFE/RL language services...".

How are the evaluators selected?

ANSWER: Evaluators are selected by Board staff, in consultation as appropriate with Board members, recognized authorities in academic life, or specialists in other Government agencies.

How much was spent on evaluations last fiscal year?

During fiscal year 1984, a total of $18,500 was spent on program evaluations.

What evaluations are done in-house by the BIB staff?

Over the years, Board staff has evaluated a variety of Russian and other programs, although since 1978 the emphasis has been on outside consultants. Most recently, the Board's Planning and Research Officer evaluated Uzbek service programs.

Congestion of High-Frequency Broadcast Bands

QUESTION: Your Annual Report comments on the congestion of the high-frequency broadcast bands in prime broadcast hours.

Is this congestion hurting your broadcasts?

ANSWER: Congestion of high-frequency bands hurts all broadcasters.

What are you doing to overcome these congestion problems?

Efforts to relieve the congestion are centered in the International Telecommunication Union and its World Administrative Radio Conferences. The 1979 WARC decided to expand some of these bands in the course of the current decade. The first (1984) session of a special WARC on high-frequency broadcasting devised a series of technical criteria, planning principles and planning methods aimed at more rational use of the bands. These methods are currently being tested in computer studies and will be reviewed at the second session of the conference, scheduled for 1987.

Anti-jamming Research

QUESTION: How much did the Board spend on jamming research last year?

ANSWER: RFE/RL spent $100,000 in FY 1984 on jamming research.

How much do you project you will spend in FY 1985? FY 1986?

No specific jamming research projects have yet been identified for FY 1985 or FY 1986.

Who is doing the research for you?

The research is being done by the Naval Ocean Systems Center in San Diego, California.

Contributions to Radio Free Europe/Radio Liberty Fund, Inc.

QUESTION: What is the total of contributions received by the Radio Free Europe/Radio Liberty Fund, Inc. in FY 1984? How was that money expended? How much do you anticipate receiving in FY 1985? In FY 1986? How do you plan to spend those monies in each fiscal year?

ANSWER: Total contributions received by the Radio Free Europe/Radio Liberty Fund, Inc. in FY 1984 totaled $85,341. Contributions of $75,000 to $85,000 are anticipated for FY 1985. A major portion of the annual contribution is granted to RFE/RL for sponsoring the Summer Intern Program. This program has been a striking success since its inception in 1979. RFE/RL has resources unique in the West for Soviet and East European research, the focus of most internships. In addition to sharing its resources and expertise with developing professionals, RFE/RL sometimes profits through staff rejuvenation and recruitment. Several former interns are now employees. The current budget operating level does not provide funding for an internship program. In addition, the RFE/RL Fund has provided grants for staff attendance at conferences and seminars, book editing and preparation expenses for staff members, special reportorial travel, staff training, consultation with outside experts and for public service projects, such as the revision and republishing of a poster showing photos and detailed biographical and political data on the members of the Soviet Politburo. This poster has been requested by interested persons in government, journalism and the academic community.

RFE/RL Technical Modernization Priorities

QUESTION· This Committee may have to reduce your budget request to meet the requirements imposed on it by the Budget Committee. In order to help the Committee in this exercise, if necessary, please provide:

A four year schedule for your $77 million modernization program.

ANSWER: A four-year schedule for technical modernization follows:

FY 1986	$ 18,900,000
FY 1987	25,400,000
FY 1988	22,600,000
FY 1989	15,800,000
	$ 82,700,000

A five-year schedule for your $77 million modernization program.

A five-year schedule for technical modernization would be as follows:

FY 1986	$ 18,900,000
FY 1987	25,400,000
FY 1988	22,600,000
FY 1989	11,600,000
FY 1990	4,500,000
	$ 83,000,000

If obligational funding is changed to a four or five-year schedule for transmitter modernization, costs will increase significantly due to the loss of quantity discounts and inflation. Delivery time could be delayed as much as two years. This will have an adverse impact on signal and program effectiveness.

A list of low priority functions at BIB and RFE/RL and their costs.

All modernization projects are of top priority in order to enhance coverage of the Baltic States, to combat increased jamming in the Polish Service and to permit the expansion of broadcasting hours in some of the RFE and RL Services. Delaying the projects will result in a continued decline in audibility.

Use of FY 1984 Foreign Currency Gain

QUESTION: Last year, the Committee permitted you to utilize your currency gains. Part of that money was to be used to offset a reduction of your appropriation. The other funds were unrestricted. How do you intend to spend that money?

ANSWER: The FY 1984 foreign currency gain totaled $12,308,000. Three million dollars was used to offset a reduction in the FY 1985 appropriation, and $4,900,000 was paid into the German Pension Plan to help correct deficiencies in funding. The $4,408,000 balance will be used as follows:

Double-Slotting for the Replacement of Retirees $ 750,000

Scheduled retirements in the programming areas total 33 in FY 1985. Double-slotting for the replacement of these retirees will provide the needed flexibility in recruiting and training new personnel.

Additional Office Space - Munich 500,000

The new studio construction and an expanded staff have made the acquisition of additional outside office space a necessity.

Severance 800,000

The original FY 1985 budget request included an amount of $2,700,000 for 39 scheduled retirements and provisions for resignations/terminations of 25 - 30 employees.

As a result of FY 1984 extensions of employment beyond retirement age, there are now 52 scheduled retirements for FY 1985 which will cost $2,200,000. Replacements for 33 of these retirements will be accomplished through the double-slotting programs. Another $1,300,000 is required to cover 25 - 30 terminations/ rsignations and to provide for reimbursement to the German Labor Office for employees leaving between 59 - 62 years of age.

Inasmuch as severance payments are mandatory, an additional $800,000 is required to cover projected severance payments in FY 1985.

Term Contracts 585,000

In conjunction with the several modernization projects (studio, transmitter, antenna maintenance), staff rejuvenation and computer expansion into the broadcasting areas and in the United States, additional staffing is required. In the absence of funding for new positions, increased needs may be accomplished through term contracts, rather than creating permanent full-time positions.

Program Evaluation Studies, Audience Sampling and Surveys 40,000

Through program evaluation studies, audience samplings and surveys, audience and opinion research will be able to furnish the broadcast services with in-depth studies and guidance as to impact on programs. Inasmuch as travelers being interviewed from East Europe are increasingly willing to have their responses put on tape, this new development permits playing tapes of RFE broadcasts and taping interview responses, therefore enormously enhancing RFE in-depth knowledge of audience response.

Paris Studio Rehabilitation 55,000

Provides for new equipment and acoustical treatment for Paris studios.

Refurbishing of News Booths at Munich Broadcast Center 50,000

Provides for air conditioning and acoustical treatment for four news booths.

Uninterrupted Power Supply to Protect Computer Installation	228,000
Protects equipment and software from loss and/or damage in the event of a power failure.	
Computer Expansion	300,000
Provides for the installation of an additional VAX 11/750 computer for Munich outside office space.	
German Pension Plan	1,100,000
The special early retirement agreement program in FY 83/84 made it necessary to purchase annuities for 19 terminees. The cost of $1,100,000 is in addition to scheduled pension plan payments.	
Total	$ 4,408,000

FY 1985 Currency Gain Projection

QUESTION: How much do you expect to accumulate in currency gains this year?

ANSWER: Based upon average current and past foreign currency exchange rates to date (March 31) in FY 1985, the projected foreign currency gain in FY 1985 is $11,500,000.

How much have you accumulated so far?

During the period October 1, 1984 - March 31, 1985, RFE/RL, Inc. realized a foreign currency gain of $6,394,846.

RFE/RL Pensions for Pre-1976 Retirees

QUESTION: There have been allegations that the pensions of pre-1976 RFE/RL retirees are deficient and that your organization has a moral obligation to improve the situation. What is your position on this issue? If the pensions are considered deficient by you, how would you propose rectifying the situation? How much would it cost?

ANSWER: Although RFE/RL has not taken an official position on this matter, the following material has been developed to illustrate the cost involved in upgrading the pensions of the RFE/RL pre-1976 retirees, widows and vested terminees:

	Retirees/ Widows	Vested Terminees
German Pension Plan	245	11
U.S. Pension Plan	226	80
	471	91

Retirees ($100 per mo. x 12 x 471 x 6.5 life expectancy)	$ 3,674,000
Vested terminees ($25 per mo. x 12 x 91 x 15 life expectancy)	310,000
Two future cost-of-living adjustments @ 10% ($3,674,000 x 10% x 10%)	771,000
	$ 4,755,000

In arriving at the total enhancement cost, we took the approach of increasing the future pension of each retiree and widow by $100 per month, and increasing the future pensions of vested terminees by $25 per month. We included an amount that would be required by RFE/RL to fund two future estimated 10% cost-of-living adjustments based on higher pension benefits.

Title to RFE/RL Overseas Assets

QUESTION: According to your Annual Report, "The titles to all of the remaining assets in Portugal and Spain will be transferred to the respective governments in the future."

Why is RFE/RL giving away assets purchased with U.S. tax dollars?

ANSWER: The citation is from the auditor's report by Arthur Andersen & Co., which did not present the full picture. The assets to be transferred ultimately to Portuguese and Spanish title are those acquired or created before 1971, mainly in the late 1950s. Such ultimate transfer was part of the original agreements concluded by the original sponsoring agency with the then-governments of those nations. But transfer even of these old assets (which over 25-30 years have by now been fully depreciated by most accounting standards) is by no means imminent. Neither host government has sought, or currently seeks, such title. The question would arise only if and when the host governments or RFE/RL, for whatever reason, were to terminate our use of the facilities.

What guarantees do we have of continued U.S. use of assets given away?

Under the BIB, since 1973, all substantial new assets -- notably, transmitters -- are the property of the United States Government. Under the 15-year agreement with Portugal concluded in 1977, this applied to the eleven new 250-kilowatt transmitters installed at the Gloria facility in 1979-82, and will apply to the new transmitters being requested in this year's capital budget request.

In Spain, no new capital has been added since the expiration of the original lease agreements in 1976. BIB policy has been to seek a new long-term agreement embodying the same principles as in Portugal, but the Spanish Government has preferred to continue on an *ad hoc* basis.

Do you plan to transfer away any of the transmitters you are requesting in this year's capital budget?

There is no intention or plan to transfer such assets.

Who owns the assets of RFE/RL in Germany?

The same principle applies under the new license agreement with the Federal Republic of Germany, concluded in 1978. The 16 new transmitters installed in that country for RFE/RL use since 1976 are all U.S. Government property. So will be the four new 100-kW transmitters being acquired and installed under the FY 1985 appropriation, and the others being sought in the current capital request. Apart from the transmitters, in the Federal Republic land and buildings are leased by RFE/RL, while other capital (such as antennas, computers, word processors, studio equipment, etc.) is mostly owned by RFE/RL, Inc. with no obligation to transfer title.

Increased RFE/RL Personnel Needs for FY 1986

QUESTION: RFE/RL is requesting an increase of 34 positions for next year. Please describe what these people will do.

ANSWER: The 34 positions requested in the FY 1986 budget will be designated for the following functions:

Engineering: In support of technical facilities modernization and the installation of new transmitters 12 additional staff members will be required to design the projects, develop specifications, coordinate the projects, and supervise the construction. Staff requirements, including clerical support, are:

2	Project Engineers
1	Antenna Engineer
1	Transmitter Engineer
2	Jr. Civil/Mechanical Engineers
2	Jr. Electrical Engineers
2	Draftsmen
2	Clerk/Typists

Computer Center: In support of the expanded computer network systems and further extension of services to user departments, 7 positions will be needed in FY 1986 as follows:

1	Computer Programmer to handle systems and applications programming and hardware/software maintenance in the U.S.
1	Data Base Administrator for administrative and research systems
1	Systems Programmer
2	Applications Programmers
1	Hardware/Software Technician
1	Administrative Assistant to coordinate the administrative activities of the Computer Center

Radio Free Europe Division

1 Assistant Director/Program Editor (Polish Service) to provide managerial support and to assist in control of editorial output

1 Slovak News Editor (Czechoslovak Service) to strengthen the Slovak side of the editorial team, thus assuring the highest possible linguistic and professional standards

1 Sinologist (Research) to provide continuing analysis, oriented to programming needs, of trends and developments in China and of Sino-Soviet relations. We lack current in-house expertise in this vital area.

Radio Liberty Division

2 Morning Show Programmers (Russian Service) to support the enhanced RL programming effort which includes the inauguration of a live morning-show program from Washington. The ultimate goal is to produce a live one-hour show daily.

1 Programmer for International Features (Ukrainian Service) to provide regular coverage of international topics to augment and enhance current broadcasts to the Ukraine. Currently, the Ukrainian Service concentrates on domestic affairs.

1 Islamologist (Research) to assist in the development and maintenance of religious programming for the Muslim Services (4 Central Asian and Kazak); to maintain contact with Western scholars with appropriate institutions in the Muslim world; and to advise and assist management in matters involving Islam in general and Muslim countries in particular.

Program Support

3 Broadcast Analysts/Translators (one each for the Caucasian, Ukrainian and Central Asian languages) to assure that all RL nationality services are audited by independent broadcast analysis personnel. In addition, the staff increase will make possible program research on the broadcasts of the nationality services.

1 Audience Research/Program Evaluation Specialist (East Europe Audience and Opinion Research) to study in-depth audience reactions immediately following the listening experience through the use of detailed questionnaires based on specific programs played to the evaluation sample. The results of the research, to be carried out in Vienna, would provide guidance on program impact.

1 Field Interviewer/Evaluator (Soviet Area Audience Research) to conduct interviews, essentially targeted at Soviet nationalities, to evaluate and analyze interviews through the use of computer and data-base facilities.

Administration

1 Compensation/Labor Relations Specialist to assist in completion of consolidation of personnel policies for the Radios, to provide basic statistical data needed for wage negotiations, and to keep cost-of-living information up-to-date throughout Western European locations.

1 Inventory/Purchasing Assistant to assist in taking periodic physical inventories of RFE/RL assets and maintaining accurate and up-to-date property records; and to provide assistance in processing purchase orders which have nearly doubled in number during the past year.

1 Security Night Supervisor necessary because since the beginning of the hunger strikes by members of the Red Army Faction in December 1984, there have been almost 60 explosive and incendiary attacks in West Germany, mostly against U.S. targets. RFE/RL has been informed that three of its sites in West Germany were included in plans by the RAF for possible attack. In light of these increased terrorist activities, RFE/RL has a definite need to expand its security program. The addition of a night supervisor will permit 24-hour supervision of in-house security personnel and contract guards.

Increase in FY 1986 Technical Expenses

QUESTION: Under Administrative costs for RFE/RL, you are requesting an increase of $2,577,000 for "Technical" expenses. Please provide a detailed breakdown of the base figure ($10,394,000) and the increase for your "technical" expenses.

ANSWER: Following is a breakdown of technical costs for FY 1985 and FY 1986:

($000 omitted)

	FY 1985	FY 1986	FY86/FY 85 Increases
Program transmission line	1,864	2,340	476
Technical repairs & maintenance	1,487	1,968	481
Transmitter tube expenses	506	604	98
Technical monitoring	56	59	3
Miscellaneous technical costs	85	90	5
Power:			
Germany	2,040	2,152	112
Portugal	3,110	4,200	1,090
Spain	1,246	1,558	312
Totals	10,394	12,971	2,577

The $2,577,000 increase is comprised of the following:

General inflationary increase in costs for power, maintenance and repairs, program transmission, communication and spare parts - $1,720,000

Power costs in West Germany are stable and increase approximately at 5.5 percent per year.

Rapidly rising costs of electrical power on the Iberian Peninsula contribute to power costs exceeding the budgeted inflationary factors of 15 percent for Spain and 30 percent for Portugal. In Spain and Portugal, the power costs are increasing at approximately 25 percent and 35 percent respectively. The inflationary factors applied for power in Iberia are as follows:

	POWER		
Inflationary	Spain 15%	25%	
Factors	Portugal 30%	35%	Difference
Spain	$ 1,433,000	$ 1,558,000	$ 125,000
Portugal	4,105,000	4,200,000	95,000
Total			$ 220,000

Seven high-quality broadcasting circuits to Portugal will become operational in FY 1985. The annualization of these costs in FY 1986 will be - $ 271,000

During past years, due to lack of funds, RFE/RL deferred antenna and technical facilities maintenance. The increase of $291,000 included in the FY 1986 budget will permit regular and timely maintenance performance at all transmitter sites. The FY 1986 budget includes $75,000 for expansion of computer communications capabilities to RFE/RL news bureaus in Western Europe.

Impact of Possible FY 1986 Budget Freeze

QUESTION: Please explain what the impact would be of a freeze on your regular operating expenses in fiscal year 1986.

ANSWER: A freeze at the current OMB-approved FY 1986 budget level ($108 million, which assumes acceptance of inflationary increases) would have a number of major damaging effects on RFE/RL operations.

- --The engineering modernization component in our development program would not have available the engineering positions required for project management. The results would be that the Radios would have to contract for this management, adversely affecting long-term support requirements.

- --Key broadcast and research personnel will not be able to use our completed computer system because of inability to buy terminals and the software that is needed for programs.

- --The Broadcast Analysis Staff, which the Radios need to monitor quality and accuracy in programming, will not be strengthened to meet the frequently expressed Congressional view that such additional monitoring is essential.

- --Modernization of Radio Liberty and the development of an office in the United States to bring the Radios closer to the Russian emigre community in America and unique U.S. research files on communism, and to use 6 hours' time differential to expand quality in round-the-clock newscasts, will be halted.

- --Reorganization and modernizing our program-backstop services including finalization of an equitable personnel and housing system, completion of a more modern and efficient administrative/payroll system will be terminated in mid-course, thus hindering efficiency and incurring long-term waste and high costs.

QUESTIONS SUBMITTED BY SENATOR HOLLINGS

Payments to RFE/RL Staff

QUESTION: Last year in response to a question about the current liabilities of RFE/RL, an exhibit was furnished subsequently for the record. (P. 349 of Part I of 1985 Hearings). The accrued salaries shown on that exhibit includes funds for a "13th month bonus."

Are all RFE/RL employees given a bonus of one month's pay each year; or what does that mean?

ANSWER: "Bonus", in this instance, is perhaps misleading in that it implies an extra payment above base salary level. In fact the 13th month is part of annual compensation for 732 employees on Local Scale, one of four salary scales in use by RFE/RL, Inc. in Munich. The Local Scale contains a provision typical in West Germany, under union agreements, that the annual salary is divided by 13 rather than by 12 for the purpose of monthly salary payments. A double monthly salary payment is made in November to these employees. A comparable position on one of the other scales generally has the same annual compensation, but payment is made in 12 monthly installments. In other words, there are two different procedures of monthly payments of annual salaries. Some employees are paid 13 times, others 12 times in a year, but the annual compensation is approximately the same.

RFE/RL is 100% funded by U.S. Government appropriations. Therefore, one would think it would closely follow U.S. Government personnel policies. I realize that the German government imposes some things on you, but what benefits do RFE/RL employees enjoy that are not available to U.S. Government employees?

While RFE/RL is Federally funded, its employees are not Federal employees. All labor contracts and compensation packages, including salary and fringe benefits, are negotiated with German labor unions and therefore are in keeping with local practices. For example, employee vacation and sick leave policies administered by RFE/RL must conform with German law and practice.

Are housing allowances provided RFE/RL employees permanently stationed in Munich, or elsewhere overseas?

If so, to whom, and why?

Employee housing policy is a part of the union contracts held with three West German labor unions and the American Newspaper Guild. Housing terms are spelled out in a company agreement co-determined (i.e., negotiated as required by German law) with the Works Council, an elected group of employee representatives charged under West German labor law with ensuring employer compliance with relevant provisions of labor law and adherence to union contract conditions. RFE/RL, Inc. housing policy is typical of multi-national corporate and U.S. Government practice. RFE/RL, Inc. housing policy also meets the requirements of German authorities in granting work and residence permits, assuring that persons hired by the Radios will be housed and not be a burden on German social housing services.

Briefly, " housing" is defined as furnished company quarters, with the employee having the option to receive a housing allowance in lieu of actual quarters.

The present RFE/RL housing policy evolved out of union negotiations following the 1976 consolidation of Radio Free Europe and Radio Liberty. Its aim was to resolve difference between the merged Radios' separate and different housing policies. There has been one ten percent increase in housing allowances since the 1976 consolidation, and that occurred in 1981. This means that the Radios' allowances lag far behind Munich rent levels and State Department allowance tables.

QUESTION: We understand that the RFE/RL budget includes funds for the purchase of materials, such as manuscripts. We are also informed that some RFE/RL employees received $180,000 of such payments even though they are already paid salaries.

How many RFE/RL employees received such payments in fiscal year 1984 and 1985 to date?

ANSWER: In FY 1984 219 employees received payments for free-lance work in addition to salary payments; in FY 1985 170 employees have received free-lance payments to date.

Do you have a list of all such employees, that indicates their name, position, title, annual salary and an itemization of the items for which they received such extra payments?

A listing of all employees performing free-lance work in FY 1984 and FY 1985 (through February 28, 1985) follows at the end of this question-and-answer section.

Engineering Services

QUESTION: Last year this Committee felt compelled to place a limitation of $15,000 on engineering consultant fees due to the continued delay in filling the Board's director of engineering position. On one hand, we are told that the position is vital, yet it has not been filled since it became vacant when the previous incumbent, George Jacobs, retired almost 5 years ago. Furthermore, since his retirement, Mr. Jacobs has continued to perform the responsibilities of the engineering officer under a contract that smacks of a sweetheart deal.

Why has this position not been filled since it was vacated by Mr. Jacobs' retirement?

ANSWER: The Chairman of the BIB and the President of RFE/RL, Inc. clearly expressed their disapproval of this regrettable amendment at the recent Subcommittee hearings, and urged its repeal at the earliest opportunity. The Board welcomes this opportunity to set the record straight in greater detail, and to reject categorically and unequivocally any suggestion of so-called "sweetheart" arrangements.

George Jacobs has been recognized throughout the international broadcasting community for a generation as the leading U.S. Government civilian expert on high-frequency broadcasting and spectrum management. His 33 years of Government service began in World War II as a navigator with the U.S. Army Air Corps in the European theatre of operations; his civilian service as an electronic engineer with the Department of State in 1949. From 1955 to 1976, when he joined the BIB, he was chief of the Frequency Division of the Voice of America and was in large measure responsible for establishing the world-wide monitoring system which has assured the excellent audibility which VOA broadcasts still enjoy in most of the world today. He was the recipient of the USIA Superior Honor Award in 1976, has published authoritative books on high-frequency propagation, and regularly contributes high-frequency predictions to the World Radio TV Handbook. In his various Government positions and since 1980 in an individual capacity, he has participated as a member of the U.S. delegation at every international broadcast frequency conference since 1950-- in 1983-84, as Special Adviser to the Chairman of our delegation to the World Administrative Radio Conference on High Frequency Broadcasting. In 1978, he was leader of a delegation of the Institute of Electrical and Electronics Engineers to the Soviet Union as part of the U.S.A.-U.S.S.R. scientific exchange program. He has long enjoyed the highest security clearances our Government accords, and he has made a critical contribution to numerous inter-agency, Presidential and National Security Council task forces which have led (for example, in 1976-77 and 1982-83) to major programs of facility modernization for VOA and RFE/RL. In 1982, he was appointed by the President as a Democratic member of the Presidential Commission on Broadcasting to Cuba. His familiarity with electronic-warfare programs and personnel in the defense as well as civilian sectors of our Government has led, most recently, to the most comprehensive research on jamming and anti-jamming techniques undertaken since the 1950s. In short, in discussing Mr. Jacobs' services, we are dealing not with an ordinary employee or occasional expert but with a major Government resource -- in terms of specialized skills, institutional experience and worldwide contacts -- in a highly sensitive area.

How many persons has the Board interviewed for this position?

Mr. Jacobs retired as BIB Director of Engineering three months before the 1980 Presidential election. The Board moved to advertise the position, reviewed two dozen applications carefully, and interviewed a half-dozen of the most impressive applicants before the changes in Administrations. Two candidates were rated most highly; the top-rated candidate left the Government for a more rewarding position in private industry, and the second-rated contender preferred to become the director of engineering for the VOA. The BIB Chairman has personally assumed responsibility, in testimony before this Subcommittee, for the failure to continue recruiting efforts thereafter -- partly because Mr. Jacobs was available on a part-time contract basis to perform some (the most urgent, but by no means all) of the responsibilities he had previously undertaken as BIB Director of Engineering.

In fiscal year 1984, how much did Mr. Jacobs draw from U.S. Government in pension and payments as a consultant?

In fiscal year 1984, the firm of George Jacobs & Associates received $70,920 from the BIB for consulting services. Mr. Jacobs also received per diem compensation from the Department of State for his invaluable service as Special Adviser to the Chairman of the U.S. delegation to the High-Frequency WARC held in Geneva in January-February 1984. His compensation by both BIB and State was at rates considerably lower than those paid the firm by numerous clients in private industry, who accounted for nearly two-thirds of the firm's income.

Why wasn't Mr. Jacobs employed as a re-employed annuitant so that, at most, he only draw the salary of the position?

There could be no question of attempting -- as a condition for occasional services in 1983 or 1984 -- to deprive Mr. Jacobs of the personal pension earned for Government service performed between 1943 and 1980. His pension payments are based on retirement as a member of the Senior Executive Service, level 5, after 33 years of credited service (and personal contributions). The Subcommittee may wish to note that, since the restrictive amendment went into effect, Mr. Jacobs has performed a variety of indispensable services for the Board on a pro bono basis.

QUESTION: According to the response to the questions I submitted last year, Mr. Jacobs' services are provided through a contract with a consulting firm, and not with him individually.

What is the name and location of the firm, and what else does it do besides advise the BIB?

ANSWER: The firm of George Jacobs & Associates is located at 8701 Georgia Avenue, Silver Spring, Maryland. Most of its clients are in the private sector. Mr. Jacobs is a member of the Association of Federal Communications Consulting Engineers and subscribes to its Code of Ethics. He has filed more than 200 applications for new broadcast and television stations with the Federal Communications Commission. He is consulting engineer to Quality Media, Inc., an organization which has and is planning additional broadcast stations in American Samoa and the Caribbean. He is consulting engineer to WRNO Worldwide in New Orleans -- the only U.S. fully commercial shortwave station. He performs the offshore shortwave communications systems planning for Shell Oil, and numbers among his other clients the Seventh Day Adventist Church (Adventist World Radio), the Christian Science Monitor, the Voice of Hope radio and television network (U.S.A. and Lebanon) and B'nai B'rith. He has recently filed applications with the FCC for several shortwave broadcasting stations to be located in the United States. He also recently completed a study of Soviet broadcast satellites for the United States Information Agency.

How much did the firm receive from BIB in fiscal year 1984, and how much of that did Mr. Jacobs receive?

Of the $70,920 in fees received by the firm from BIB in fiscal year 1984, Mr. Jacobs estimates that approximately 40 per cent goes to cover demonstrable overhead and expenses.

How many employees does the firm have?

It has the usual clerical services and utilizes other professional services as required on an independent contract basis.

QUESTION: We understand Mr. Jacobs frequently makes costly third-party, long-distance phone calls from his business location on the Board's phones. How much did those calls amount to in FY 1984?

ANSWER: The total amount of telephone calls involved was $1,467. Most of the international calls -- to RFE/RL in Munich, the ITU in Geneva, to British, Dutch, West German and other broadcasting officials -- were part of the preparations for the 1984 High Frequency WARC and the post-conference coordination among the Western allies. Some of the calls also involved plans to modernize RFE/RL facilities in other countries. Domestic long-distance calls were primarily to RFE/RL frequency management in New York and to locations where BIB has contractual or other arrangements of a technical nature. All the calls were authorized by the Board.

Why aren't these phone calls part of the contract you have with the consulting firm as they would under most other contractual arrangements?

There is considerable variety in how to handle such calls in various contracts. Allowing Mr. Jacobs to make authorized calls directly billable to BIB saved the Government the demonstrable-overhead factor that is usually required in most contracts.

Travel of Board Members and Staff

QUESTION: On February 22, 1985, by letter I asked the Board to submit information regarding the travel of the Board members and staff. Yesterday I received a preliminary draft of the material that is incomplete as it only amounts to $50,652 of the $77,000 that the Board and staff obligated for travel in fiscal 1984.

When can we expect a complete report?

ANSWER: The answer to the next question will indicate that nearly $17,000 of the amount obligated in FY 1984 by the Board was paid by RFE/RL, Inc., after it became clear that such expenses had been incurred by Board members in carrying out their corporate, as opposed to their Federal oversight, responsibilities. This sum plus the balance of the unused FY 1984 travel obligation was deobligated by the Board in January 1985.

The information regarding Board member and staff travel during FY 1984 and FY 1985 (through February 28) follows:

BOARD FOR INTERNATIONAL BROADCASTING

TRAVEL - FY 1984

TRAVELER	TITLE	DATES OF TRAVEL	ITINERARY	CLASS	COST (Actual)	PURPOSE	RELATION OF TRIP TO AGENCY MISSION
BOARD MEMBER TRAVEL:							
DOMESTIC:							
1. Shakespeare, Frank	Chairman	10/31/83	Greenwich, Conn-Wash., DC-Greenwich, Conn.	Coach	$ 206	Discuss programming w/RFE/RL staff.	Program oversight
2. Shakespeare, Frank	Chairman	11/13-14/83	New York, NY-Wash., DC-New York, NY	Coach	56	Discuss programming w/RFE/RL staff.	Program oversight
3. Shakespeare, Frank	Chairman	1/3-4/84	New York, NY-Wash., DC-New York, NY	Coach	55	Discuss programming w/RFE/RL staff.	Program oversight
4. Shakespeare, Frank	Chairman	1/9-10/84	New York, NY-Wash., DC-New York, NY	Coach	56	Discuss programming w/RFE/RL staff.	Program oversight
5. Shakespeare, Frank	Chairman	1/31/84	New York, NY-Wash., DC-New York, NY	Coach	30	Discuss programming w/RFE/RL staff	Program oversight
6. Shakespeare, Frank	Chairman	2/7/84	Greenwich, Conn-Wash., DC-Greenwich, Conn.	Coach	69	Discuss programming & budget w/RFE/RL & BIB staffs.	Program oversight
7. Shakespeare, Frank	Chairman	3/4-9/84	Greenwich, Conn-Wash., DC-Greenwich, Conn.	Coach	99	Discuss programming & budget w/RFE/RL & BIB staffs.	Program oversight
8. Shakespeare, Frank	Chairman	4/3-4/84	White Plains, NY-Wash., DC-White Plains, NY	Coach	309	Discuss programming & budget w/RFE/RL & PIB staffs.	Program oversight
9. Shakespeare, Frank	Chairman	4/25/84	White Plains, NY-Wash., DC-White Plains, NY	Coach	30	Discuss programming & budget w/RFE/RL & BIB staffs.	Program oversight
10. Shakespeare, Frank	Chairman	4/30-31/84	White Plains, NY-Wash., DC-White Plains, NY	Coach	224	Discuss programming & budget w/RFE/RL & BIB staffs.	Program oversight
11. Shakespeare, Frank	Chairman	4/28/84	Greenwich, Conn-Wash., DC-Greenwich, Conn.	Coach	90	Discuss programming & budget w/RFE/RL & BIB staffs.	Program oversight

BOARD FOR INTERNATIONAL BROADCASTING

TRAVEL - FY 1984

TRAVELER	TITLE	DATES OF TRAVEL	ITINERARY	CLASS	COST (Actual)	PURPOSE	RELATION OF TRIP TO AGENCY MISSION
BOARD MEMBER TRAVEL:							
DOMESTIC: (con't)							
12. Shakespeare, Frank	Chairman	5/1-4/84	White Plains, NY-Wash., DC-White Plains, NY	Coach	56	Discuss programming w/RFE/RL staff.	Program oversight
13. Shakespeare, Frank	Chairman	5/6-7/84	Greenwich, Conn-Wash., DC-Greenwich, Conn.	Coach	28	Discuss programming w/RFE/RL staff.	Program oversight
14. Shakespeare, Frank	Chairman	6/5-7/84	White Plains, NY-Wash., DC-White Plains, NY	Coach	382	Discuss programming w/RFE/RL staff.	Program oversight
15. Shakespeare, Frank	Chairman	7/9-10/84	New York, NY-Wash., DC-New York, NY	Coach	222	Discuss programming w/RFE/RL staff.	Program oversight
16. Shakespeare, Frank	Chairman	7/17/84	New York, NY-Wash., DC-New York, NY	Coach	179	Discuss programming w/RFE/RL staff	Program oversight
17. Shakespeare, Frank	Chairman	8/8/84	Greenwich, Conn-Wash., DC-New York, NY	Coach	38	Discuss programming w/RFE/RL staff	Program oversight
18. Shakespeare, Frank	Chairman	8/31/84	Greenwich, Conn-Wash., DC-Greenwich, Conn.	Coach	42	Discuss programming w/RFE/RL staff	Program oversight
19. Shakespeare, Frank	Chairman	9/4-6/84	New York, NY-Wash., DC-New York, NY	Coach	238	Discuss programming w/RFE/RL staff	Program oversight
20. Shakespeare, Frank	Chairman	9/25-26/84	Greenwich, Conn-Wash., DC-New York, NY	Coach	164	Discuss programming w/RFE/RL staff	Program oversight
21. Burgener, Clair W.	Member	3/4-6/84	San Diego, CA-Wash., DC-San Diego, CA.	Coach	666	Attend BIB meeting	Program oversight
22. Burgener, Clair W.	Member	5/31-6/4/84	San Diego, CA-Oakland, CA-Sacramento, CA-Los Angeles, CA-San Diego, CA.	Coach	159	Address Berkeley Breakfast Club on RFE/RL	Program oversight

BOARD FOR INTERNATIONAL BROADCASTING

TRAVEL - FY 1984

TRAVELER	TITLE	DATES OF TRAVEL	ITINERARY	CLASS	COST (Actual)	PURPOSE	RELATION OF TRIP TO AGENCY MISSION
BOARD MEMBER TRAVEL:							
DOMESTIC:							
23. Burgener, Clair W.	Member	6/6-8/84	San Diego, CA-Wash., DC-San Diego, CA.	Coach	666	Attend BIB meeting	Program oversight
24. Burgener, Clair W.	Member	9/18-21/84	San Diego, CA-New York, NY-Wash., DC-San Diego, CA.	Coach	713	Attend BIB meeting	Program oversight
25. Forbes, Malcolm S., Jr.	Member	1/3-4/84	New York, NY-Wash., DC-New York, NY	Coach	223	To be sworn in as a BIB member and to attend BIB meeting.	Program oversight
26. Forbes, Malcolm S., Jr.	Member	3/4-5/84	New York, NY-Wash., DC-New York, NY	Coach	223	Attend BIB meeting	Program oversight
27. Madsen, Arch L.	Member	3/3-6/84	Salt Lake City, Utah-Wash., DC-Salt Lake City, Utah	Coach	978	Attend BIB Operations Committee meeting	Program and technical oversight
28. Madsen, Arch L.	Member	7/2/84	Salt Lake City, Utah-Dallas, Texas-Salt Lake City, Utah	Coach	600	Meet with Continental Electronics re: RFE/RL transmitter needs	Program and technical oversight
29. Michener, James A.	Member	1/3-4/84	Austin, Texas-Wash., DC-Austin, Texas	Coach	743	To be sworn in as a BIB member & to attend BIB meeting.	Program oversight
30. Michener, James A.	Member	3/4-7/84	Austin, Texas-Wash., DC-Austin, Texas	Coach	831	Attend BIB meeting	Program oversight
31. Michener, James A.	Member	6/6-7/84	Austin, Texas-Wash., DC-Austin, Texas	Coach	758	Attend BIB meeting	Program oversight
32. Michener, James A.	Member	9/18-21/84	Austin, Texas-New York, NY-Wash., DC-Austin, Texas	Coach	506	Attend BIB meeting	Program oversight

BOARD FOR INTERNATIONAL BROADCASTING

TRAVEL - FY 1984

TRAVELER	TITLE	DATES OF TRAVEL	ITINERARY	CLASS	COST (Actual)	PURPOSE	RELATION OF TRIP TO AGENCY MISSION
BOARD MEMBER TRAVEL:							
DOMESTIC: (con't)							
11. Novak, Michael	Member	9/18-19/84	Wash., DC-New York, NY-Wash., DC	Coach	137	Attend BIB meeting	Program oversight
TOTAL BOARD MEMBER - DOMESTIC TRAVEL					$9,784		
OVERSEAS:							
1. Shakespeare, Frank	Member	10/16-23/83	New York, NY-Rome, Italy-London, England-New York, NY	Business	208	Discuss programming w/RFE/RL staff	Program oversight
2. Shakespeare, Frank	Member	1/13-23/84	New York, NY-Wash., DC-Greenwich, Conn-Munich, Germany-Paris, France-London, England-New York, NY	Coach/ Business	1,145	Discuss programming w/RFE/RL staff	Program oversight
3. Shakespeare, Frank	Member	4/6-19/84	New York, NY-London, England-Munich, Germany-New York, NY	Business	2,006	Attend BIB meeting	Program oversight
4. Shakespeare, Frank	Member	7/23-8/3/84	New York, NY-Munich, Germany-Zurich, Switzerland-Geneva, Switzerland-Zurich, Switzerland-New York, NY	Business	2,021	Discuss programming w/RFE/RL staff	Program oversight
5. Ablard, Charles D.	Member	1/9-25/84	Wash., DC-New York, NY-London, England, Paris, France-Geneva, Switzerland-St. Moritz, Switzerland-Munich, Germany-Paris, France-Boston, Mass-Wash., DC	Coach	2,736	Attend World Administrative Radio Conference on High-Frequency Broadcasting (WARC-HFBC).	Technical oversight

BOARD FOR INTERNATIONAL BROADCASTING

TRAVEL - FY 1984

TRAVELER	TITLE	DATES OF TRAVEL	ITINERARY	CLASS	COST (Actual)	PURPOSE	RELATION OF TRIP TO AGENCY MISSION
BOARD MEMBER TRAVEL:							
OVERSEAS: (Con't)							
6. Burgener, Clair W.	Member	4/7-21/84	San Diego, CA-Wash., DC-London, England-Munich, Germany-Geneva, Switzerland-London, England-San Diego, CA	Coach	1,535	Attend BIB meeting and meet w/BBC officials in London	Program oversight
7. Forbes, Malcolm S., Jr.	Member	4/14-19/84	New York, NY-Munich, Germany-London, England-New York, NY	Coach	2,194	Attend BIB meeting	Program oversight
8. Kirkland, Joseph L.	Member	4/11-20/84	Wash., DC-Munich, Germany-Wash., DC	Coach/ Business	1,970	Attend BIB meeting	Program oversight
9. Madsen, Arch L.	Member	4/13-25/84	Salt Lake City, Utah-Munich, Germany-Zurich, Switzerland-Paris, France-Salt Lake City, Utah	Coach	2,936	Attend BIB meeting and visit RFE/RL news bureaus and research office.	Program and technical oversight
10. Michener, James A.	Member	4/12-19/84	Austin, Texas-Atlanta, GA-Frankfurt, Germany-Munich, Germany-Austin, Texas	Coach	1,890	Attend BIB meeting	Program and technical oversight
11. Novak, Michael	Member	4/10-20/84	Wash., DC-New York, NY-Paris, France-Amsterdam, Netherlands-Munich, Germany-Wash., DC	Coach	2,002	Attend BIB meeting	Program oversight
12. Novak, Michael	Member	7/23-29/84	Wash., DC-Munich, Germany-Paris, France-Wash., DC	Business	2,328	Attend Russian programming committee meeting in Munich.	Program oversight

TOTAL - BOARD MEMBER - OVERSEAS TRAVEL $22,971
TOTAL - BOARD MEMBER TRAVEL - FY 1984 . . . . $32,755

BOARD FOR INTERNATIONAL BROADCASTING

TRAVEL - FY 1984

TRAVELER	TITLE	DATES OF TRAVEL	ITINERARY	CLASS	COST (Actual)	PURPOSE	RELATION OF TRIP TO AGENCY MISSION
BOARD STAFF TRAVEL:							
DOMESTIC:							
1. Roberts, Walter R.	Executive Director	5/6-13/84	Wash., DC-Los Angeles, CA-San Diego, CA-Kansas City, Mo.-Wash., DC	Coach	504	Discuss contractual arrangements and work detail of proposed Prophet project with Naval Ocean Systems Center	Technical oversight
2. Roberts, Walter R.	Executive Director	5/17/84	Wash., DC-New York, NY-Wash., DC	Coach	132	Attend meeting on intl'. broadcasting	Program oversight
3. Roberts, Walter R.	Executive Director	9/18-19/84	Wash., DC-New York, NY-Wash., DC	Coach	200	Attend BIB meeting	Program oversight
4. Critchlow, James	Planning & Research Officer	10/21-26/83	Wash., DC-Kansas City, Mo-Wash., DC	Coach	484	Attend AAASS Convention	Program oversight
5. Critchlow, James	Planning & Research Officer	11/17-20/83	Wash., DC-Madison, Wisconsin-Wash., DC	Coach	261	Participate in Conference on Soviet Central Asia	Program oversight
6. Critchlow, James	Planning & Research Officer	1/22-24/84	Wash., DC-Omaha, Nebraska-Wash., DC	Coach	276	Address the Conference on Soviet-American relations on role of intl'. broadcasting	Program oversight
7. Critchlow, James	Planning & Research Officer	1/27/84	Wash., DC-New York, NY-Wash., DC	Coach	128	Consult w/RFE/RL staff and Soviet specialists at Columbia University	Program oversight

BOARD FOR INTERNATIONAL BROADCASTING

TRAVEL - FY 1984

TRAVELER:	TITLE	DATES OF TRAVEL	ITINERARY	CLASS	COST (Actual)	PURPOSE	RELATION OF TRIP TO AGENCY MISSION
BOARD STAFF MEMBER:							
DOMESTIC: (Con't)							
8. Critchlow, James	Planning & Research Officer	3/22-4/4/84	Wash., DC-Tucson, Arizona-San Diego, CA-San Francisco, CA-Seattle, Washington-Wash., DC	Coach	1,229	Visit Naval Ocean Systems Center re: anti-jamming research; visit UCLA & Rand Corp. to confer w/ Soviet affairs specialists; chair panel on Central Asian social stratification at Western Slavic Assoc. Conference; & lecture on Soviet Muslims at Henry Jackson School of Intl. Studies (Univ. of Washington).	Program oversight
9. Critchlow, James	Planning & Research Officer	8/29-30/84	Wash., DC-New York, NY-New Haven, Conn-Wash., DC	Coach	379	Confer w/BIB contractor w/RFE/RL officers & Yale Univ. specialists on Soviet affairs.	Program oversight
TOTAL - BOARD STAFF - DOMESTIC TRAVEL					$ 3,593		
OVERSEAS:							
1. Roberts, Walter R.	Executive Director	11/12-20/83	Wash., DC-Frankfurt, Germany-Dusseldorf, Germany-Munich, Germany, Zurich, Switzerland-Belgrade, Yugoslavia-Zurich, Switzerland-London, England-Wash., DC	Business	3,578	Attend WARC-HFBC multilateral preparatory meeting; participate in two seminars on intl. broadcasting; discuss WARC related matters w/officials in Belgrade.	Program & technical oversight

BOARD FOR INTERNATIONAL BROADCASTING

TRAVEL - FY 1984

TRAVELER:	TITLE	DATES OF TRAVEL	ITINERARY	CLASS	COST (Actual)	PURPOSE	RELATION OF TRIP TO AGENCY MISSION
BOARD STAFF TRAVEL:							
OVERSEAS: (con't)							
2. Roberts, Walter R.	Executive Director	4/10-18/84	Wash., DC-London, England-Vienna, Austria-Munich, Germany-Wash., DC	Business	3,456	Discussions w/Am. Embassy/BBC officials in London re: WARC-HFBC; attend BIB meeting & meet w/RFE/RL officials; Discussions w/Am. Embassy on transmitter sites in Tel Aviv; discuss w/RFE/RL monitoring stations & recent changes in jamming patterns in Vienna.	Program and technical oversight

BOARD FOR INTERNATIONAL BROADCASTING

TRAVEL - FY 1984

TRAVELER	TITLE	DATES OF TRAVEL	ITINERARY	CLASS	COST (Actual)	PURPOSE	RELATION OF TRIP TO AGENCY MISSION
BOARD STAFF TRAVEL:							
OVERSEAS: (con't)							
3. Roberts, Walter R.	Executive Director	6/10-28/84	Wash., DC-Munich, Germany-Vienna, Austria-Wash., DC	Business	2,734	Discussions w/RFE/RL officials in Munich; participate in discussions w/RFE/RL monitoring officials & Austrian Institute for Intl. Affairs.	Program oversight
4. Critchlow, James	Planning & Research Officer	5/30-6/10/84	Wash., DC-Paris, France-Amsterdam, Netherlands-Copenhagen, Denmark, London, England-Wash., DC	Business	2,803	Conduct a review of RL audience research operations & confer w/BBC audience research & other officials; to meet w/British Soviet specialists.	Program oversight
5. Shub, Anatole	Program Officer	1/23-2/10/84	Wash., DC-Geneva, Switzerland-Wash., DC	Business/ Coach	1,919	Participate as delegate for WARC-HFBC in Geneva; consult w/RFE/RL management at Munich headquarters.	Program oversight
6. Shub, Anatole	Program Officer	9/10-18/84	Wash., DC-Seoul, Korea-Wash., DC	Coach	3,014	Represent BIB on US delegation negotiating broadcasting issues w/Republic of Korea officials.	Program oversight

TOTAL - BOARD STAFF - OVERSEAS TRAVEL $17,504
TOTAL - BOARD STAFF - FY 1984 . . . . $21,097

BOARD FOR INTERNATIONAL BROADCASTING

TRAVEL - FY 1984

TRAVELER	TITLE	DATES OF TRAVEL	ITINERARY	CLASS	COST (Actual)	PURPOSE	RELATION OF TRIP TO AGENCY MISSION
CONSULTANT TRAVEL:							
DOMESTIC:							
1. Jacobs, George	Engineer Tech. Adviser	12/5-7/83	Wash., DC-San Diego, CA-Wash., DC	Coach	1,062	Meet w/VP RFE/RL, Inc. for presentation of project "Advanced Prophet" systems at Naval Ocean Systems Center.	Technical oversight
2. Jacobs, George	Engineer Tech. Adviser	1/5/84	Wash., DC-New York, NY-Wash., DC	Coach	158	Participate in WARC-HFBC discussions at Frequency Coordination Meeting hosted by RFE/RL.	Technical oversight
3. Jacobs, George	Engineer Tech. Adviser	5/10-11/84	Las Vegas, Nevada-San Diego, CA-Las Vegas, Nevada	POV	269	Accompany Executive Director to Naval Ocean Systems Center to discuss contractual arrangements and work detail of proposed Advanced Prophet project.	Technical oversight
TOTAL - CONSULTANT - DOMESTIC TRAVEL					$ 1,489		
OVERSEAS:							
1. Jacobs, George	Engineer Tech. Adviser	1/15-2/12/84	Wash., DC-Geneva, Switzerland-Wash., DC	Business	1,311	Attend WARC-HFBC	Technical oversight
TOTAL - CONSULTANT - OVERSEAS TRAVEL					$ 1,311		
TOTAL - CONSULTANT TRAVEL - FY 1984					$ 2,800		
GRAND TOTAL - TRAVEL - FY 1984					$ 56,652		

BOARD FOR INTERNATIONAL BROADCASTING

TRAVEL - FY 1985

TRAVELER	TITLE	DATES OF TRAVEL	ITINERARY	CLASS	COST (Actual)	PURPOSE	RELATION OF TRIP TO AGENCY MISSION
BOARD MEMBER TRAVEL:							
DOMESTIC:							
1. Shakespeare, Frank	Chairman	10/18-20/84	New York, NY-Wash., DC-New York, NY	Coach	78	Discuss programming w/RFE/RL staff.	Program oversight
2. Shakespeare, Frank	Chairman	11/8-9/84	New York, NY-Wash., DC-New York, NY	Coach	61	Discuss programming w/RFE/RL staff.	Program oversight
3. Shakespeare, Frank	Chairman	12/12-13/84	New York, NY-Wash., DC-New York, NY	Coach	122	Discuss programming w/RFE/RL staff.	Program oversight
4. Burgener, Clair W.	Member	12/12-14/84	San Diego, CA-Wash., DC-San Diego, CA	Coach	606	Attend BIB meeting	Program oversight
5. Burgener, Clair W.	Member	2/26-28/85	San Diego, CA-Wash., DC-San Diego, CA	Coach	563	Attend House Appropriations Subcommitte Budget hearings	Program oversight
TOTAL BOARD MEMBER - DOMESTIC TRAVEL					$1,430		
OVERSEAS:							
1. Shakespeare, Frank	Chairman	11/25-12/1/84	New York, NY-Munich, Germany-New York, NY	Coach	141	Discuss programming w/RFE/RL staff.	Program oversight
2. Shakespeare, Frank	Chairman	1/12-17/85	New York, NY-Lisbon, Portugal-New York, NY	Business	2,073	Visit transmitter site in Portugal	Program oversight
3. Shakespeare, Frank	Chairman	2/11-15/85	New York, NY-Munich, Germany-New York, NY	Business/ First	1,977	Attend West European Advisory Committee meeting.	Program oversight
4. Novak, Michael	Member	10/7-14/84	Wash., DC-Milan, Italy-Rome, Italy-Munich-Germany-Paris, France	Coach	1,616	Attend BIB meeting and meet w/RFE/RL officials	Program oversight
5. Novak, Michael	Member	11/28-12/1/84	Wash., DC-Cologne, Germany, Munich, Germany-Wash., DC	Business	1,009	Meet w/RFE/RL officials	Program oversight
TOTAL - BOARD MEMBER - OVERSEAS TRAVEL					$6,816		
TOTAL - BOARD MEMBER TRAVEL - FY 1985 (10/1/84-2/28/85)					$8,246		

BOARD FOR INTERNATIONAL BROADCASTING

TRAVEL - FY 1985

TRAVELER:	TITLE	DATES OF TRAVEL	ITINERARY	CLASS	COST (Actual)	PURPOSE	RELATION OF TRIP TO AGENCY MISSION
BOARD STAFF TRAVEL:							
DOMESTIC:							
1. Roberts, Walter R.	Executive Director	11/29/84	Wash., DC-New York, NY-Wash., DC	Coach	100	Meet w/RFE/RL on international broadcasting matters.	Program oversight
2. Roberts, Walter R.	Executive Director	12/18/84	Wash., DC-New York, NY-Wash., DC	Coach	204	Meet w/RFE/RL officials on international broadcasting	Program oversight
3. Critchlow, James	Planning & Research Officer	10/19/84	Wash., DC-New York, NY-Wash., DC	Coach	158	Confer w/Freedom House staff on situation of Soviet Central Asian personnel in Afghanistan	Program oversight
4. Critchlow, James	Planning & Research Officer	12/4-5/84	Wash., DC-Cambridge, Mass-Wash., DC	Coach	242	Confer w/Soviet nationality specialists of Boston area academic centers; gave lecture on "Ethnic Discussions of Islam" at Center for Middle East Studies, Harvard University.	Program oversight
5. Critchlow, James	Planning & Research Officer	1/3-5/85	Wash., DC-New York, NY-Wash., DC	Coach	37	Participate in Workshop on Soviet Literature and Popular Culture sponsored by the Social Science Research Council of Learned Societies.	Program oversight
6. Critchlow, James	Planning & Research Officer	2/22-24/85	Wash., DC-Chicago, Ill-Wash., DC	Coach	408	Participate in Conference on "Church and State in Eastern Europe and the Soviet Union" at Univ. of Ill. at Chicago.	Program oversight
TOTAL - BOARD STAFF - DOMESTIC TRAVEL					$1,149		

BOARD FOR INTERNATIONAL BROADCASTING

TRAVEL - FY 1985

TRAVELER	TITLE	DATES OF TRAVEL	ITINERARY	CLASS	COST (Actual)	PURPOSE	RELATION OF TRIP TO AGENCY MISSION
BOARD STAFF TRAVEL: :							
OVERSEAS:							
1. Roberts, Walter R.	Executive Director	10/22-11/3/84	London, England-Valletta, Malta-Rome, Italy-Tel Aviv, Israel-London, England-Wash., DC	Business	4,230	Discuss international broadcasting matters.	Program oversight
2. Critchlow, James	Planning & Research Officer	10/30-11/20/84	Wash., DC-London, England-Islamabad, Pakistan-Munich, Germany-Paris, France-Wash., DC	Business	4,874	Complete review of RFE/RL audience research activities; confer w/managerial & programming personnel in Munich; meet w/Embassy officials & local VOA representatives on logistical support for RFE/RL; meet w/Director, Central Asian studies center; & investigate situation of refugees belonging to Central Asian ethnic groups addressed by RL broadcasts in Peshawar.	Program oversight
TOTAL - BOARD STAFF - OVERSEAS TRAVEL					$ 9,104		
TOTAL - BOARD STAFF TRAVEL - FY 1985 (10/1/84-2/28/85					$10,253		
CONSULTANT TRAVEL:							
DOMESTIC:							
1. Jacobs, George	Engineer Tech. Adviser	11/17-20/84	Wash., DC-New York, NY-Wash., DC	POV	303	Coordinate propsed advanced Profit Computer Program & meet w/foreign engineer.officer re: Mid-east project.	Program oversight
TOTAL - CONSULTANT - DOMESTIC TRAVEL					$ 303		

BOARD FOR INTERNATIONAL BROADCASTING

TRAVEL - FY 1985

TRAVELER	TITLE	DATES OF TRAVEL	ITINERARY	CLASS	COST (Actual)	PURPOSE	RELATION OF TRIP TO AGENCY MISSION
CONSULTANT TRAVEL:							
OVERSEAS:							
1. Raymond, Walter, Jr.	Staff Member, Natl. Security Council	10/20-11/4/84	Wash., DC-Paris, France-Munich, Germany-Wash., DC	Coach	1,474	To gain knowledge/experience re: operations of RFE/RL; consult w/officials re: overall international broadcasting facilities/objectives; consult w/Am. Consulate Gen. in Munich & Am. Embassy in Paris and Rome.	Program and technical oversight
TOTAL - CONSULTANT - OVERSEAS TRAVEL					$1,474		
TOTAL - CONSULTANT TRAVEL - FY 1985 (10/1/84-2/28/85)					$1,777		
GRAND TOTAL - TRAVEL - FY 1985 (10/1/84-2/28/85)					$20,276		

QUESTION: Is all the travel and expense of the Board paid from amount designated for BIB operations? If not, how much is paid from the grants to RFE/RL and why?

ANSWER: Travel and related expense payments made by RFE/RL, Inc. to RFE/RL Board members for FY 1984 and FY 1985 (through February 28, 1985) follow:

	FY 1984	FY 1985 (10/1/84-) 2/28/85
Frank Shakespeare	$ 9,375	$ 4,660
Clair W. Burgener	678	--
Malcolm S. Forbes, Jr.	1,040	328
Lane Kirkland	1,251	--
Arch L. Madsen	1,819	--
James A. Michener	667	--
Edward N. Ney	1,210	--
Michael Novak	876	--
	$ 16,916	$ 4,988

These payments were made to Board members for expenses incurred in carrying out their corporate responsibilities as opposed to their Federal oversight responsibilities.

Budget Freeze

QUESTION: If the Board's appropriation was frozen at the current level of $97,498,000, what would be the impact on the program planned for fiscal 1986?

ANSWER: RFE/RL management states that it needs $108,480,000 to sustain in FY 1986 the FY 1985 current level of operations. At constant exchange rates, if a budget freeze were to be imposed at the $97,498,000 level ($96,370,000 for RFE/RL), an amount of $12,110,000 would have to be saved. According to management, this would necessitate eliminating certain language services and drastically cutting back on such controllable costs as freelance, temporary employment and travel.

Language services to be discontinued, in order of lowest priority, would be as follows:

Service	Savings	Number Employees
Latvian	$ 454,000	8
Lithuanian	448,000	7
Kazak	390,000	8
Tatar-Bashkir	401,000	5
Belorussian	509,000	10
Azeri	339,000	6
Georgian	466,000	7
Armenian	363,000	7
Uzbek	454,000	8
	$5,096,000	89

Other activities which would be eliminated or reduced follow:

Pakistan News Bureau	$ 150,000
Hong Kong News Bureau	150,000
50% across-the-board cut in freelance	1,520,000
50% across-the-board cut in travel	465,000
Reduction in term contract employment	350,000
Reduction in use of outside office space	700,000
Reduction in technical maintenance requirements	900,000
Reduction in professional development program	160,000
Reduction of regular capital budget	1,500,000
Reduction in recruiting and interviewing	100,000
Reduction in power costs resulting from elimination of 13 language services and general decrease in power costs resulting from elimination of 13 language services and general decrease in broadcasting hours of other existent services	1,000,000
	$ 6,995,000

Reduction in language services	$ 5,067,000
Other activities	6,995,000
Miscellaneous	48,000
Total Savings	$ 12,110,000

It should be noted that the savings in personnel costs resulting from the elimination of certain language services can be achieved only by making large severance payments. At an average cost of $45,000 per employee, the termination payments for the positions eliminated above would total approximately $4,000,000.

QUESTION: Please provide a listing showing the priority order of the various items in the $44,627,000 increase for fiscal year 1986. Also, show for each item the dollar amount.

ANSWER: The priority listing of items included in the $44,627,000 increase for FY 1986 follows:

Board for International Broadcasting

Administrative expenses	$ - 31,000

RFE/RL

Restoration of $3,000,000 to FY 1985 operating base	3,000,000
Cost-of-living and inflationary increases averaging 9.0 percent and annualization of FY 1985 actions	9,110,000
Computer systems expansion	1,000,000
34 positions including one-time administrative support costs and office space rental	1,823,000
Double-slotting for replacement of retirees	375,000
Completion of RFE and RL consolidation	
a. Company housing agreement	555,000
b. Pension equalization	757,000

Editorial training and professional development	250,000
Unemployment payment to German Labor Office	276,000
Gloria transmitter modernization	17,200,000
Maxoqueira conversion to transmitter site	20,000,000
Biblis/Lampertheim - antenna switch matrix modernization	2,600,000
Foreign currency adjustment: DM 2.72 to DM 3.08	- 12,288,000
Total Increase	$ 44,627,000

RFE/RL, INC.

Summary of Employees Who Performed Freelance in FY 1984 and FY 1985 (Through February 28, 1985)

Employee	FY 1984	FY 1985 Through 2/28/85	Total
Lengyel, Eva	$ 31.36	$ -	$ 31.36
Bojadieff, Philipp	1,132.00	411.76	1,543.76
Chciuk-Celt, Ewa	56.00	-	56.00
De Vere, Ralph	452.72	-	452.72
Franko, Josephine	320.00	-	320.00
Gamarnikow, Danuta	10.00	-	10.00
Jasiewicz, Krystyna	10.00	-	10.00
Kardashinetz, Imre	471.52	-	471.52
Krajewski, Waclaw	60.00	183.82	243.82
Malach, Samuel	120.00	-	120.00
Nowakowski, Tadeusz	80.00	-	80.00
Stankowska, Wanda	42.00	-	42.00
Poncet, Wladyslaw	312.00	400.74	712.74
Goenczdel, Janos	953.60	252.94	1,206.54
Demian, Laszlo	8,281.60	1,941.18	10,222.78
Naidenov, Vladimir	1,406.00	-	1,406.00
De Bucky, Barnabas	180.00	-	180.00
Wysocki, Irma	100.00	-	100.00
Stefanovics, Julio	128.00	-	128.00
Moschuna-Sion, Irene	2,993.60	955.88	3,949.48
Leicand, Aurora	590.00	-	590.00
Ivanov, Vasco	120.00	-	120.00
Malasek, Jiri	32.00	-	32.00
Czyzowski, Andrzej	28.00	-	28.00
Stankovic, Slobodan	273.36	44.12	317.48
Banush, Lydia	888.00	66.18	954.18
Pavlov, Nicholas	40.00	73.53	113.53
Martin, Andrew	2,006.40	687.50	2,693.90
Krajewska, Danuta	2,733.53	-	2,733.53
Kolodziejski, Zdzislaw	60.00	36.76	96.76
Bitskey, Gabriella	89.60	-	89.60
Popoff, Nedelka	820.00	367.65	1,187.65
Gafton, Petre	270.00	-	270.00
Petrow, Dushco	240.00	110.29	350.29
Minovski, Jancko	550.00	-	550.00
Iles, Ronald	400.00	-	400.00
Atamoh, Rumjana	900.00	-	900.00
Stefanowski, Roman	156.00	304.49	460.49
Ostoja-Kotkowska, B.	2,972.80	487.94	3,460.74
Iranek-Osmecki, George	32.00	55.15	87.15
De Weydenthal, J. B.	310.00	75.53	383.53
Klimiuk, Christopher	490.00	70.96	560.96
Peitchev, Velitchko	280.00	147.06	427.06
Kusin, Vladimir	2,437.80	504.60	2,942.40
Hejl, Vilem	10,998.20	3,603.86	14,602.06
Kostov, Vladimir	3,580.00	1,011.03	4,591.03

Employee	FY 1984	FY 1985 Through 2/28/85	Total
Comsa, Don	$ 80.00	$ -	$ 80.00
Lazar, Adam	1,242.00	487.72	1,729.72
Swidlicki, Andrew	2,128.00	198.53	2,326.53
Tosheff, Deana	572.56	589.85	1,162.41
Duzounova, Roumiana	220.00	18.38	238.38
Fried, Susanna	272.00	113.97	385.97
Socor, Vladimir	177.60	-	177.60
Szabo, Danko	702.24	462.21	1,164.45
Svidran, Rudolf	141.60	-	141.60
Barbarova, Anastasia	794.80	-	794.80
Stoleva, Maroussia	20.00	73.53	93.53
Bezucha, Wieslawa	228.00	132.35	360.35
Mianowicz, Tomasz	68.00	47.79	115.79
Stepanek, Martin	2,550.80	712.10	3,262.90
Assarabowski, Edward	848.00	275.74	1,123.74
Binar, Ivan	1,592.20	446.69	2,038.89
Neagu, Gabriel	680.40	221.32	901.72
Drabik, Janos	38.40	-	38.40
Kovacsy, Tibor	89.60	-	89.60
Minkiewicz, Wladyslaw	40.00	32.35	72.35
Bugajski, Janus	1,226.96	1,479.26	2,706.22
Kaczmaski, Jacek	320.00	18.38	338.38
Kroulik, Barbara	57.00	147.50	204.50
Zbirohowska, Koscia	157.84	51.32	209.16
Gronkiewicz, Monika	228.00	-	228.00
Chlebowicz, Marek	60.00	165.44	225.44
Licko, Miroslav	1,280.00	-	1,280.00
Varhely, Catherine	24.00	-	24.00
Kratochvil, Antonin	312.20	89.61	401.81
Nebollieff, Michael	600.00	183.82	783.82
Mutafoff, Ljuba	500.00	-	500.00
Springl, Vlasta	80.00	-	80.00
Woinoff, Iwan	2,124.00	830.88	2,954.88
Borbandi, Gyula	140.00	-	140.00
Pipev, Todor	820.00	367.65	1,187.65
Mutafoff, Lydia	72.00	-	72.00
Vayda, Jan	1,315.20	344.12	1,659.32
Konsturow, Nikolina	468.00	33.09	501.09
Brunner, Vroni	2,380.00	669.12	3,049.12
Spetko, Josef	800.00	-	800.00
Roubalik, Josef	241.50	65.72	307.22
Hedrei, Ildiko	1,492.00	155.88	1,647.88
Stefanek, Vladimir	210.40	20.57	237.97
Maier, Anneliese	24.00	-	24.00
Divis, Ivan	1,547.00	391.08	1,938.08
Olsienkiewicz, Marek	2,078.00	564.12	2,642.12
Skukalek, Rudolf	19.20	-	19.20
Constantinescu, Miltia	40.00	-	40.00
Hamsik, Libuse	796.40	-	796.40
Volney, Ewa	16.00	-	16.00
Prelipceanu, Const.	96.00	-	96.00
Koeves, Gilda	320.00	294.12	614.12

Employee	FY 1984	FY 1985 Through 2/28/85	Total
Buda, Mariam	$ 976.40	$ 36.76	$ 1,013.16
Kielinski, Thaddaeus	80.00	-	80.00
Kaltchev-Nikolov, N.	8,928.80	2,119.49	11,048.29
Deja, Stanislaw	927.12	815.66	1,742.78
Kovats, Gabriella	340.00	161.76	501.76
Ioanid, Ioan	72.00	-	72.00
Wolfe, Hermine	112.00	-	112.00
Vincze, Andras	755.20	70.59	825.79
Zaluski, Stanislew	20.00	36.76	56.76
Caradja, Constantin	2,184.00	661.76	2,845.76
Kravcikova, Lenka	2,833.20	1,349.45	4,182.65
Gregory, Veska	840.00	-	840.00
Kovas, Tibor	40.80	15.44	56.24
Urbanowicz, Janusz	464.00	-	464.00
Miz-Miszyn, Mamert	90.00	41.36	131.36
Stybrova, Miluse	36.00	-	36.00
Gejer, Igor	148.80	-	148.80
Darazs, Hajnalka	24.00	-	24.00
Angelescu, Ioana	5,502.40	1,457.35	6,959.75
Voiculescu, Andrei	3,040.00	827.21	3,867.21
Prusinski, Andrzej	413.40	-	413.40
Glaboussandv, Pavel	460.00	45.96	505.96
Idzinski, Marcin	952.00	672.79	1,624.79
Stockinger, Wojciech	32.00	91.91	123.91
Diubak, Grzegorz	444.16	73.53	517.69
Schuster, Karl	908.00	110.29	1,018.29
White, Endi	76.00	-	76.00
Dvorsky, Ludmila	80.00	-	80.00
Pronobis, Witold	3,574,00	1,217.69	4,845.69
Petrulian, Raluca	546.00	-	546.00
Fridrich, Jaroslav	507.00	30.33	537.33
Kaczynska, Jadwiga	50.00	97.43	147.43
Molnar, Karoly	1,327.00	825.37	2,152.37
Popov, Mariana	560.00	-	560.00
Koos, Frici	38.64	-	38.64
Kaylov, Peter	26.00	387.13	413.13
Zvrskovec, Bohus	276.00	264.71	540.71
Ficner, Thomas	322.00	730.88	1,052.88
Sloboda, Josef	54.00	11.03	65.03
Monditsch-Drewing, V.	310.00	-	310.00
Allis, David	2,179.44	730.59	2,910.03
Brown, Anthony	162.00	-	162.00
Felton, David	83.40	-	83.40
Glashan, Roy	2,534.72	920.81	3,455.53
Perouansky, Alexander	2,440.40	528.09	2,968.49
Romano, Esther	12.32	-	12.32
Kaczurowski, Igor	144.00	-	144.00
Mardirossian, Leon	1,456.00	-	1,456.00
Gerb, Ellen	116.80	-	116.80
Oganessian, Eduard	2,536.00	753.68	3,289.68
Maclis, Leonard	1,644.00	-	1,644.00
Kiss, Tibor	213.60	130.15	343.75
Kalmar, Sandor	418.40	217.65	636.05

Employee	FY 1984	FY 1985 Through 2/28/85	Total
Panich, Julian	$ 1,520.00	$ 55.15	$ 1,575.15
Golan, Jacob	80.00	-	80.00
Can, Enver	112.00	-	112.00
Danielov, Makriel	60.00	64.34	124.34
Bede, Vera	356.00	-	356.00
Kangro-Pennar, Eva	40.00	-	40.00
Michaeli, Mirza	620.00	1,360.29	1,980.29
Kocaoglu, Timur	87.92	-	87.92
Tsariounov, Touri	60.00	-	60.00
Jokubynas, Kestutis	658.80	220.59	879.39
Corti, Mario	314.00	73.53	387.53
Girnius, Kestutis	709.20	257.35	966.55
Parrot, Stewart	27.00	-	27.00
Iliff, Theodore	90.50	-	90.50
Carlson, Charles	255.92	-	255.92
Estam, Juri	1,053.44	-	1,053.44
Carlson, Mary	104.80	74.01	178.81
Teague, Elizabeth	1,775.48	244.49	2,019.97
Girnius, Saulius	218.40	-	218.40
Fistein, Jefim	2,557.00	303.49	2,860.49
Kushnev, Eugene	162.00	-	162.00
Fishbein, Moshe	820.40	17.87	838.27
Narodetsky, Alexander	60.00	55.15	115.15
Freydkin, Vasily	2,125.04	506.32	2,631.36
Sego, Stephen	43.68	29.34	73.02
Oliphant, Jeremy	106.80	-	106.80
Levin, Ernst	880.00	-	880.00
Kuznetsov, Eduard	1,580.00	407.79	1,987.79
Levin, Asya	602.00	174.63	776.63
Iliff, Elizabeth	136.40	-	136.40
Meierovics, Ingrida	45.00	-	45.00
Hudson, Cameron	360.00	-	360.00
Nahajlo, Bohdan	2,102.56	588.24	2,690.80
Superfin, Gabriel	70.00	36.76	106.76
Yasmann, Victor	424.000	283.46	707.46
O'Connell, James	124.16	-	124.16
Iourienen, Serge	1,700.00	1,564.34	3,264.34
Zielyka, Marta	143.92	546.62	690.54
Zorin, Ernst	140.00	-	140.00
Bernardi, Marina	52.08	-	52.08
Gordiewski, Igor	136.00	-	136.00
Burger, Inna	220.00	-	220.00
Maclis, Ilona	584.00	-	584.00
Geichmann, Anatoli	960.00	-	960.00
Dobrjanskyj, Michael	188.00	-	188.00
Schwarz, Egil	980.00	367.13	1,347.13
Vlasov, Orest	4,996.00	612.13	5,608.13
Holowatyj, Lidia	412.48	712.87	1,125.35
Pirogov, Sergey	454.32	-	454.32
Salova, Galina	520.00	-	520.00
Berukshtis, Igor	80.00	101.10	181.10
Krichely, Jakob	776.40	73.53	849.93
Vinizki, Vladimir	50.00	-	50.00
Atsiz, Bugra	269.36	369.26	638.62

Employee	FY 1984	FY 1985 Through 2/28/85	Total
Soldatov, Sergei	$ 220.00	$ 73.53	$ 293.53
Limberger, Elena	40.00	-	40.00
Zilitinkevic, Vera	500.00	1,075.37	1,575.37
Nikolajew, Eugenij	130.00	294.12	424.12
Raitsch, Andrea	331.60	-	331.60
Dawydov, Georgij	1,850.00	441.18	2,291.18
Tolz, Wladimir	2,520.00	-	2,520.00
Newton, Melanie	326.00	489.49	815.49
Issakova, Valeria	766.80	-	766.80
Konowalou, Walerij	1,402.00	1,288.60	2,690.60
Smironova in Prezza, Marina	48.00	69.49	117.49
Kryl, Karol	63.00	-	63.00
Vogel, Vojtec	-	19.30	19.30
Inkiow, Dimiter	-	110.29	110.29
Roman, Jaroslav	-	110.29	110.29
Zaluski, Piotr	-	18.38	18.38
Witon, Krzysztof	-	161.76	161.76
Darkquist, Roland	-	52.94	52.94
Sarkany, Andrey	-	304.71	304.71
Wezyk, Ewa	-	14.71	14.71
Dostal, Jiri	-	73.53	73.53
Litterati-Lootz, V.	-	20.22	20.22
Bujtas, Pal	-	11.76	11.76
Stief-Mugur, Maria	-	5.88	5.88
Hamsik, Libuse	-	722.43	722.43
Clegg, John	-	36.76	36.76
Kalina, Agnes	-	62.50	62.50
Slomkowsi, Wojciech	-	25.74	25.74
Vetoe, Ilona	-	8.82	8.82
Liszko, Santos	-	18.38	18.38
Banasik, Halina	-	36.76	36.76
Krylova, Maria	-	194.85	194.85
Rosendahl, Norman	-	457.06	457.06
Majchrzak, Bogumila	-	147.06	147.06
Dlouhy, Helena	-	22.06	22.06
Volny, Dan	-	122.06	122.06
Ionescu, Dan	-	264.71	264.71
Velchev, Anna	-	43.75	43.75
Selenyi, Zoltan	-	816.18	816.18
Goenczdel, Andras	-	24.26	24.26
Moudry, Karel	-	110.29	110.29
Cojocaru-Pompei, Carmen	-	119.12	119.12
Trumbull, Charles	-	110.29	110.29
Ilves, Andrew	-	198.53	198.53
Kramens, Janis	-	108.09	108.09
Tatschmurat, Murat	-	73.53	73.53
Ouratadze, Goulnara	-	257.35	257.35
Mardirossian, Leon	-	4,711.91	4,711.91
Katzas, Alexander	-	55.15	55.15
Keller, Stephen	-	404.41	404.41
Ostaszewska, Irene	-	501.84	501.84

Employee	FY 1984	FY 1985 Through 2/28/85	Total
Mesilane, Riho	$ -	$ 55.15	$ 55.15
Nadirachvili, Konst	-	73.53	73.53
Gardon, Gennady	-	38.60	38.60
Olynyk, Mart a	-	484.41	484.41
Gheselle, Viviane	-	816.18	816.18
Ilves, Toomas	-	220.29	220.29
Urban, Larissa	-	551.47	551.47
Hvat, Ivan	-	294.12	294.12
Rahr, Xenia	-	45.96	45.96
Rahr, Vsevolod	-	119.49	119.49
Rahr, Alexandre	-	211.40	211.40
Strunsky, Victor	-	18.38	18.38
Overseas Total	174,284.65	63,287.99	237,572.64
Kanka, Frank	246.00	14.00	260.00
Orlowski, Christine	35.00	-	35.00
Simon, Sylvia	2,350.00	2,625.00	4,975.00
Witon, Kris	1,810.00	280.00	2,090.00
Eristavi, Nodar	-	280.00	280.00
Youngblood, Martha	-	73.50	73.50
U.S. Total	4,441.00	3,272.50	7,713.50
TOTAL	$ 178,725.65	$66,560.49	$ 245,286.14

SUBCOMMITTEE RECESS

Chairman HATFIELD. Any further comments? If not, the meeting is adjourned.

[Whereupon, at 11:26 a.m., Wednesday, March 27, the subcommittee was recessed, to reconvene at the call of the Chair.]

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1986

WEDNESDAY, APRIL 3, 1985

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:38 a.m., in room SD–116, Dirksen Senate Office Building, Hon. Paul Laxalt (chairman) presiding.

Present: Senators Laxalt, Specter, Hollings, Bumpers, Chiles, and Lautenberg.

DEPARTMENT OF STATE

STATEMENT OF HON. GEORGE P. SHULTZ, SECRETARY OF STATE

ACCOMPANIED BY:
- RONALD I. SPIERS, UNDER SECRETARY FOR MANAGEMENT
- ROGER B. FELDMAN, COMPTROLLER
- ROBERT E. LAMB, ASSISTANT SECRETARY FOR ADMINISTRATION AND SECURITY

BUDGET REQUEST

Senator LAXALT. The subcommittee will come to order.

Today we will review the budget requests of the Department of State and the U.S. Information Agency.

We will begin today by reviewing the activities of the Department of State. For its activities under the jurisdiction of this subcommittee, the Department is requesting $2.561 billion for the next fiscal year.

BUDGET PERSPECTIVE

To put this, Mr. Secretary, in an unusual historical perspective—this is the creation of my staff—100 years ago, in fiscal year 1885, this committee recommended that the Department receive $1,947,366, including 77 positions in Washington and $1,200 for the care and subsistence of horses, and repairs of wagons and harnesses.

Secretary SHULTZ. You rounded that off to the nearest dollar. [Laughter.]

Senator LAXALT. We certainly did. The committee notes you dropped your request for the last item. [Laughter.]

Representing the Department today is the Secretary, Hon. George Shultz. I might note that starting in March 1885 your predecessor was Thomas Francis Bayard of the great State of Delaware.

INTRODUCTION OF ASSOCIATES

Welcome, Mr. Secretary. Please proceed to introduce your colleagues at the table and proceed with whatever opening remarks you may have.

Secretary SHULTZ. Certainly. I have with me Under Secretary Spiers, Assistant Secretary Lamb, and Mr. Feldman.

FISCAL 1986 BUDGET REQUEST

Mr. Chairman and members of the committee, I am here today to discuss the President's budget request for the Department of State. The Department is a principal national security arm of the U.S. Government. War only starts when diplomacy fails. Diplomacy is the front line, worldwide, 24 hours a day. As a result, this budget should be seen as a fundamental part of our national security program.

For fiscal year 1986, the President and I are requesting $2,561,013,000 to support the Department's activities at home and abroad. This figure is $30,648,000 less than the estimate for fiscal year 1985.

DEPARTMENTAL ACCOMPLISHMENTS

Before discussing the details of our appropriations request, I would like to tell you about some of our accomplishments since I talked with you last.

REPORTING AND ANALYSIS

In the field of reporting and analysis, which we discussed at some length last year, we have established the new political and economic officer positions authorized by the Congress as part of the administration's program to rebuild the Department's reporting and analysis capabilities. Some 60 percent of these were overseas positions; some of the domestic positions were used to augment our analysis of terrorist organizations and activities.

We have opened five new foreign service posts, including embassies in Grenada and Brunei and consulates in Brisbane, Australia; Pusan, Korea; and Shenyang, China. I might say Shenyang is the third consulate we have opened in China.

SECURITY

In the field of security, 144 posts worldwide have received funds for emergency perimeter security improvements.

We have contracted with 10 U.S. construction firms to design and build major physical security improvements at 37 high-threat posts abroad. These firms are beginning to survey construction requirements this month.

Sixty fully armored vehicles will be delivered to posts worldwide by early fall of this year to augment the current fleet, which is woefully inadequate.

Mobile security training teams have been formed and after special training will be dispatched to overseas posts in June to train foreign national security personnel and Americans in antiterrorist tactics, such as defensive driving and hostage survival techniques.

I will come back to reporting and analysis and security in a moment.

RECIPROCITY

In the field of reciprocity, we have imposed travel and real estate controls on certain foreign missions and their diplomats, mostly Eastern bloc.

We have begun issuing red, white and blue Federal diplomatic license plates for vehicles owned by foreign missions and their personnel as part of a program to require that all diplomatic vehicles carry adequate third-party liability insurance.

MANAGEMENT

In the field of management, partly in response to OMB and the Grace Commission, we are developing a 5-year work force plan to determine the appropriate size and structure for the Foreign Service. Our goals are to reduce staffing at the mid and senior levels and add junior officer positions. In the last promotion cycle, we took the difficult decision to curtail promotions into the senior foreign service.

COMMUNICATIONS

In the field of communications, we have formed a crisis communication team equipped with tactical satellite systems that can provide emergency communications for three simultaneous crises.

We have installed four classified information systems that provide paperless handling of sensitive information at overseas posts.

I am proud of these accomplishments, but much remains to be done. Therefore, we are requesting an appropriation for fiscal year 1986 in four major categories.

ADMINISTRATION OF FOREIGN AFFAIRS

First, we seek $1,962,376,000 for the administration of foreign affairs—to cover the Department's basic diplomatic and consular functions, salaries, operating expenses, allowances, overseas building construction, and maintenance.

INTERNATIONAL ORGANIZATIONS AND CONFERENCES

Second, in the category international organizations and conferences, we request $553,574,000 to cover assessed contributions to international organizations of which the United States is a member, contributions for U.N. peacekeeping activities, and American participation in multilateral international conferences.

INTERNATIONAL COMMISSIONS

Third, under the heading of international commissions, $26,278,000 is required to meet our treaty commitments under boundary agreements with Canada and Mexico and to cover our share of expenses as a member of 11 international fisheries commissions.

OTHER APPROPRIATIONS

Finally, in the category of other appropriations, we request $18,785,000 for bilateral science and technology agreements with Yugoslavia and Poland, support for the Asia Foundation, and the Soviet East European research training fund.

ZERO INCREASE IN 1986 FUNDING

Fiscal year 1986 is the first time in 14 years the Department has not requested an increase in funding. Nonetheless, within this necessarily harsh fiscal environment we will continue to meet the challenges which are central to the security and economic vitality of the Nation.

We will pursue the President's policies to reduce the risk of war through arms control and nuclear nonproliferation, to fight terrorism, and to expand opportunities for economic development and personal freedom through trade promotion, solutions to international debt problems, increased food production, and other humanitarian efforts.

The Department's budget strategy has been to hold the line on spending in all areas except those which are absolutely essential to accomplish our mission. While we cannot fund all our current activities at existing levels, we will seek to increase productivity through automation and management improvements to absorb significant workload increases in areas such as passport issuance and administrative support.

AREAS TO MAINTAIN AND STRENGTHEN

But three important areas must be maintained and strengthened. They are:

One, expanding and improving the Department's ability to obtain and interpret foreign policy information through improved reporting and analysis. This is our basic core function.

Two, improving the security of our people overseas.

Three, improving our personnel management and training.

REPORTING AND ANALYSIS

I would like to discuss reporting and analysis first. It is our central function. When I talk about reporting and analysis, I mean information about the thoughts and plans of key foreign leaders, the factors which influence them, how they make policy decisions and how they will react to our own decisions and those of other countries. We must predict trends, intentions, and objectives. Ultimately. I must use this information and related judgments as a basis for policy recommendations to the President.

These recommendations based on reporting and analysis are critical to our national security. The Department is the single most important source of foreign affairs information for the entire U.S. Government.

In the case of the national security intelligence and economic intelligence categories, the Department provides more than half of all foreign affairs information available to the Government. Concerning the internal politics of other countries, the Department provides about two-thirds of this data.

But as I have stated to the Congress before, State's ability to meet national reporting and analysis requirements has seriously atrophied in the previous decade in the face of budget constraints.

With the support of the Congress, we have begun to restore our weakened reporting and analysis capability. Based on the advice of our Ambassadors, assessments by our regional bureaus, evaluations by the Bureau of Intelligence and Research, inspection reports, and advice from other elements of the intelligence community, the Department has identified where our reporting analysis capability is deficient and produced a 3-year plan to remedy that deficiency. This year the administration is seeking 176 new positions for this purpose.

ISSUE OF SECURITY

Mr. Chairman, I would now like to turn to the issue of security. Last year I told the House and Senate Appropriations Committees I was taking two steps: first, an immediate effort to improve worldwide security primarily in the Persian Gulf area and, second, that I planned to convene a high level advisory panel to study how the worldwide security problem would affect us in the future and to make recommendations to deal with it.

As you know, the bombings in Beirut led to a greatly expanded effort to strengthen the security of our facilities and people overseas, an effort which received strong congressional support.

All our posts have intensively reviewed their security needs, and these reviews have been the basis for quick action. We have made immediate improvements at 23 high-threat posts and we are planning to construct 13 new office buildings that will meet new security standards. In addition, we have contracted with private firms to provide longer-term improvements at 38 of our posts. We have kept congressional leadership advised of our progress on a regular detailed basis.

It has been a crucial necessity to spend more money to protect our people abroad, and the Congress, on a bipartisan basis, has been enormously helpful. Last year the Congress authorized a $361 million security supplemental of which $110 million was appropriated. That money is currently funding the bulk of the new measures we are now taking.

We are currently seeking the balance of this emergency authorization in a 1985 supplemental appropriation to allow us to start the construction of these new embassy buildings and other essential actions. It is a major undertaking. Delay extends the period of danger to our people.

The high level advisory panel was formed last summer under the chairmanship of retired Adm. Bobby Inman. Its members include Senator Warren Rudman and Representative Dan Mica, former Under Secretary of State Larry Eagleburger, Ambassador Anne Armstrong, Lt. Gen. D'Wayne Gray, Chief of Staff of the Marines, Robert McGuire, former police commissioner of New York City and now president of Pinkerton's.

This distinguished and experienced group plans to give me a report and recommendations in late May. But it has recently given me some preliminary suggestions. The most important preliminary finding of the panel is that facilities at perhaps 139 of our 262 posts abroad do not meet our new minimum security standards. That is a high number, 139 of our 262 posts. They are in need of replacement or significant overhaul. That is a big item of expense. For example, some posts are located on the streets in downtown areas while others are vulnerable for other reasons.

OVERSEAS SECURITY ADVISORY COUNCIL

There is one other development regarding security of our personnel overseas that I would like to comment on. I recently announced the formation of a new joint venture between the State Department and the private sector: the Overseas Security Advisory Council.

The members of this council will come from a wide range of American businesses that operate abroad, American law enforcement agencies, and other foreign affairs agencies.

The Council's goals are to establish a continuing liaison between officials in both the public and private sector in charge of security matters and to recommend plans for greater operational coordination between the Government and the private sector overseas.

By working together to enhance security, I know we can be more effective in saving lives and reducing the dangers of doing private or official business abroad.

PERSONNEL MANAGEMENT AND TRAINING

Mr. Chairman, I would like to conclude my remarks with some thoughts about personnel management and training in the Foreign Service. In doing so, I would like to point to the strong record of congressional support for our personnel most recently expressed in the Foreign Service Act of 1980. Your support affects morale strongly, and we deeply appreciate it.

It is a truism to say that our people are the Department's most important resource. We must never lose sight of this fact. It is why we attach so much importance to improved security, to pay and benefits, and to training.

FOREIGN SERVICE INSTITUTE

For the last 60 years the Congress has directed the Department to provide training in foreign affairs for the Foreign Service and other government agencies without providing a location for it. The Foreign Service Institute, which has become one of the finest training centers in language, area and professional studies, has been housed in a series of temporary buildings, apartments, a garage and now unsatisfactory office building space in Rosslyn. We will have to curtail the training program mandated by Congress in the Foreign Service Act of 1980 if we do not get new space.

ESTABLISHMENT OF A PERMANENT TRAINING CENTER

The time has come to establish a permanent, national foreign affairs training center to serve all foreign affairs agencies. To that end, we seek authorization for the establishment of such a facility for the Foreign Service Institute. Next year we plan to request an appropriation for feasibility studies, site acquisition and design, architectural and engineering planning for the project.

RETIREMENT BENEFITS

This year Congress will again be looking at benefits, principally retirement. I ask you to keep in mind the bravery, devotion to duty and sacrifice made by the men and women in the Foreign Service. Our people are constantly exposed to the dangers of terrorism, kidnapping, bombings and mob action. In just the last 2 years, 21 Americans assigned to Foreign Service posts abroad were killed by hostile action.

In a world in which the threat of terrorism is mounting, and America is called upon to deal with a difficult, dangerous and debilitating array of problems, it is the Foreign Service which is out there on the front line.

Allowances, differentials and benefits do not enrich Foreign Service personnel. They partially compensate for unhealthful or dangerous living conditions or the absence of services such as public education to which all Americans are entitled. Many of these benefits are reduced in this budget as a function of the 5-percent pay cut.

Mr. Chairman, I would be pleased to answer any questions you or members of the committee may have.

Senator LAXALT. I thank you, Mr. Secretary, for an excellent statement. Also, I want to commend the people who prepared the budget submitted to us. We consider it to be reasonable. That doesn't mean it is a blank check situation because we have other priorities as well. But considering the tremendous expense that has been incurred particularly in the security areas, we think you have done an excellent job.

PROBLEM OF EAST BEIRUT

As you remember, several months ago your Department was severely criticized in connection with what appeared to be a lack of adequate security in East Beirut. You have made reference in passing in your statement to the situation there.

Can you bring the committee up to date as to what has happened, what you consider to be the present situation and where we are going in connection with overall problem in east Beirut?

Secretary SHULTZ. The situation in Lebanon generally and in Beirut in particular is chaotic. Our intention is to reconstruct a so-called annex in east Beirut, but it is not really feasible to move ahead on that project in any meaningful way right now.

We continue to hold the property in west Beirut, but we don't have any immediate plan to do anything with that. We are awaiting the emergence of more stable conditions.

In the meantime, we are operating from the Ambassador's residence and some other buildings.

QUESTION OF LEAVING BEIRUT

Senator LAXALT. We hear it often said, and I have heard members of the subcommittee state, the situation is so desperate and so dangerous in terms of the safety of our own personnel that maybe we ought to get out of there. Is that being considered by the State Department at all?

Secretary SHULTZ. No, sir.

Senator LAXALT. May we have the policy reasons for that position?

Secretary SHULTZ. The most important reason is that it is a very important part of the world so far as the interest of the United States is concerned. Lebanon is a key spot, a place where we should be represented and where we have material to gather that bears on our ability to represent ourselves adequately throughout the region.

Senator LAXALT. We will not be driven out?

Secretary SHULTZ. We will not be driven out by terrorists. I think the worst thing in the world you can do in combating the terrorist threat is to allow them to achieve their objectives, which is to drive the United States out of the Middle East. We are not going to leave the Middle East. The people of the Middle East don't want us to leave. Quite to the contrary, we have a stream of people who are coming to the United States and basically taking exactly the reverse tack, urging us to become more involved, not less involved.

REPRESENTATION IN MANAGUA

Senator LAXALT. Do the same considerations apply to our situation in Managua?

Secretary SHULTZ. Managua is different. It is not a place where our post is threatened as it is in Beirut. We have great problems with the regime in Nicaragua. But as is the case in many countries where we have sharp differences of view with the country involved, we still maintain representation. We feel it is to our advantage to have people there.

SECURITY OF PERSONNEL OVERSEAS

Senator LAXALT. Overall, Mr. Secretary, in terms of the security of our personnel overseas, do you think our situation now is far better than it was ?

Secretary SHULTZ. I think we are doing more about it and we are learning increasingly about how to cope with an environment that is fairly described as having changed, let's say, as compared to 10 or 15 years ago. We have a much more threatening environment resulting from terrorism, not from attitudes of people generally, in a great many parts of the world.

The result is that to carry out our mission effectively, we must take a different attitude toward the security of buildings and the patterns of travel and activities of our personnel. That doesn't mean we change our mission. We have to change the environment so that we can carry out our mission.

POLICY TOWARD SOUTH AFRICA

Senator LAXALT. Turning to another matter very briefly, there have been some rather significant developments, as we all know, in South Africa. Is this administration, more specifically your Department, rethinking our policy toward South Africa in view of the recent developments that we have seen there?

Secretary SHULTZ. We are always reviewing our policies, but as we review them, we believe that basically we are very much on the right track. It doesn't mean that we feel what is going on in South Africa is satisfactory, not at all. The President is very clear in his abhorrence of apartheid, and our view is that the situation must change. The sooner people get it into their heads that change is going to take place and think that the problem is only how it is going to take place, the better off everyone is going to be.

What South Africa needs is negotiation, not violence. Our policy of constructive engagement, trying to use our influence and efforts to move things in a constructive direction, I think is exactly the right policy. I think it is the wrong policy, as some seem to urge, to throw up our hands and leave and try to have all American investment and so forth leave along with diplomatic representation. That is the wrong way to go.

QUESTION OF SUMMIT

Senator LAXALT. One last item. I know my colleagues have several questions to ask you, Mr. Secretary.

When you were last here, we discussed the possibility of a summit. In view of the new Soviet leader Gorbachev, is that being rethought in terms of a get-acquainted session, which I think is how it was phrased last time, or would a summit be delayed until such time as a constructive agenda could be developed?

Secretary SHULTZ. My opinion is that a pure and simple get-acquainted session is not the way to go. On the other hand, we have had a great deal of discussion with the Soviet Union over the past year or so and I think there is the potential for gathering together a wide variety of matters that could be moved in a constructive direction and would give some substance to a meeting. So at this point we are devoting a lot of attention to that question.

Senator LAXALT. Senator Hollings, a statement and questions?

Senator HOLLINGS. No statement, thank you, Mr. Chairman, except I commend the Secretary's attitude with respect to our security. I do that in light of the fact that this subcommittee was confronted with security of the embassies back in 1979. Some of us traveled to Iran. We met with Ambassador Sullivan. It was a week after President Carter left the Shah's New Year's Day celebration. We asked Ambassador Sullivan about security and any kind of trouble with dissident groups. He said, "Ain't nobody here but us chickens. Everything is fine and happy." That was in January, and they seized him in February.

By September a high school class took the Embassy. When asked about it, State said, "Oh, well, if you had stepped up security, that would be provocative and destabilizing." So we got on the Secretary of State, the State Department. We appropriated $110 million to enhance the security.

I commend you on not having that nonsensical phrase in this statement here. Somehow over the years I have gotten to be on guard to what is provocative and destabilizing.

Now we did appropriate $135 million. I think we appropriated $50 million in 1981, the $110 million you referred to, and the $243 million, Mr. Secretary, which brings us up to $588 million. Now you are asking for $50 million more for fiscal 1986, so that would be about a total of $638 million.

Do you feel that that is an adequate amount to take care of our security in the overseas posts and so forth?

Secretary SHULTZ. It is what we can absorb and work with constructively at the moment. But I believe that we have a long and major program ahead of us, as is signaled by what I think the Inman Panel is likely to say. As I mentioned, that is a very high-powered panel of people, experts. They work at it hard.

The fact is we had located our buildings bearing in mind that we wanted to promote ease of access to the stream of activity of the host country. We still want to have the kind of facilities that invite people to come in. That is the kind of country we are. We don't want to build fortresses around the world.

On the other hand, because of the changed situation, we have to rearrange our thinking. A building, for example, that is located right on the street is quite vulnerable to somebody pulling a car up alongside it, walking away, and blowing up the car, doing severe damage to our building. About the only way you can handle the problem with some buildings is simply to get another building. There are other buildings where we can put things around the perimeter. We have done a great deal of that. In some cases that helps to a certain extent for a while, but we still should consider a different location.

So I think we have a lot of effort ahead of us. On the other hand, the amounts of money being appropriated are what we can deal with effectively now. As we see problems that we think need to be confronted, I can tell you that we are not going to hesitate to come to this committee and to the Congress and say here are additional things we need. If you feel we can't have them, so be it. But we are going to keep you posted.

DRIVE-UNDER GARAGES

Senator HOLLINGS. You are ahead of me. That is what I wanted to make certain. We have tried to take care of all of the emergency situations, like we just got control of the garage there in Tel Aviv. It is good we put up the additional $10 million and now have it. Heretofore you could drive under there. We can't change the building off the main street, but we can control drive-under garages and all of those kinds of situations and give proper security where there are stopgaps.

We never intend to build a fortress America at any of the embassies, but we want at least a stopgap of 2 or 3 hours to take care of the classified material. But that would take care of it. There are no emergency situations here that are not taken care of that you know of.

Secretary SHULTZ. We think we have money in the budget to do the things that we know about and can do immediately. I think a lot of this has to do with people's consciousness of security. In addition to major things, such as talking about moving a building and those kinds of problems, a major fraction of being in a more secure environment is having in mind little things that you can do that will help contribute to greater security.

So we are trying to raise the consciousness of people's minds of the importance of this problem. Every morning that I am in Washington I meet, and when I am not in Washington the Deputy Secretary or the Under Secretary for Political Affairs, meets with Ron, Bob, and other key people who are involved in security. Every morning we meet. We discuss whatever is current.

We have a systematic program of looking at each embassy, its physical location, and asking questions about it. So I am trying to raise my consciousness, their consciousness.

When I go out to a post, I try to take a special amount of time and quiz people on what they are doing with security. Some of them need to be awakened. We are trying to get people to be more thoughtful and alert.

I liken it to much of what I have seen in my private activities of mere safety in a plant or safety on a construction job. You can take the same plant or same job basically and make differences with more safety consciousness and the record will be completely different.

Senator HOLLINGS. You allayed my feelings. I appreciate that attitude because you lost, like you say 21 in the last 2 years. People don't really appreciate that we have lost that many.

FIVE-PERCENT PAY CUT

You say on page 5 in your statement there, this is the first time you are not asking for an increase. Of course, you are assuming a 5-percent decrease in pay. We are not assuming that, the Budget Committee, Government Operations, the rest of us. There is no reason to run around and start cutting pay.

We did that. We went through that hysterical exercise in 1981. We cut our staffs, our committees, your Department, and everyone else, 10 percent. Then over at the Pentagon they hired 97,000 extra civilian employees. So we have learned a little bit in 4 years about 5 percent pay cuts and so forth.

Specifically, if you are not going to be cut, then you are going to have to find another $14 million. So in reality you are asking for $10 million plus $14 million. I think Mr. Feldman has these figures. It is about a $24 million increase rather than no increase.

CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

Could we take care of that increase, talking about percentage cuts, by cutting these assessed contributions to international organizations? We have $553 million, half a billion dollars, just in meetings. Did you take care of the expenses when we went over to Geneva for the photo opportunity on arms control? [Laughter.] Who paid that bill? Did we pay it or did you pay it?

Secretary SHULTZ. I am not sure who paid that bill. [Laughter.]

Senator HOLLINGS. It doesn't matter who paid the bill. It is pure waste.

Secretary SHULTZ. The Defense Department paid it.

Senator HOLLINGS. I can point out a bunch of organizations that just meet and eat. I used to be a member of the Law of the Sea Conference. I never had that properly described until I got briefed on the research for the strategic defense initiative. They call it multilayered. The whole object is to continue to research and do not develop or deploy or manufacture. Make sure you don't do that because then the Congress will go hysterical over it.

Similar, with the Law of the Sea, our whole idea was to continue to meet and eat but never agree because, I mean, that was wonderful food. If we ever agreed, we couldn't get fed any longer. We couldn't go to Geneva. I got worn out after a while. I was on it for 10 years and then I finally got out of it.

But I mean I think we can pick up $55 million to take care of your increase just by a 10-percent cut. I wish you would get Mr. Spiers to look at it and see what he can do, because we can pick it up so we can make true your statement that for the first time in 14 years you are not requesting an increase. You are not requesting it because you are assuming a decrease of the 5-percent pay cut.

FIVE-PERCENT PAY CUT

Secretary SHULTZ. Let me say, first of all, that the President's recommendation of the across-the-board pay cut is a very serious recommendation. We have accepted that in the Department and we will live with it. We hope that it applies to all of Government, including me, including even the Congress.

I think we all have to tighten up our belts here. We are spending too much money here in the Federal Government. So that is the first point.

CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

The second is that we have been scrubbing very hard our contributions to international organizations. We have been putting pressure on them to look at their budget practices. We think some of the salaries are way out of bounds in some of these organizations and so we have been leading the charge over the last 4 years to bring about a more effective management of these organizations.

In the case of one of them, UNESCO, we disagreed with the output of the organization, and we also disagreed with the management practices. So we have withdrawn from that organization, as you know. I think that the fact that we withdrew, in spite of a lot of pressure at the end not to do so, has strengthened us in our efforts to bring about more efficiency in these agencies. So we are trying to do that.

GENEVA ARMS TALKS

I would like to make one comment on the congressional observers who went to the opening of the arms talks in Geneva. There was a lot of to-do about that. I scratched my head quite a bit about that personally, about all of the observers and so on, and what it was all about.

I would have this to say. When Max Kampelman was here the other day, I talked to him at some length about it, and Max felt just as I do, that while it was a lot of trouble for everybody to find hotel rooms and one thing or another for all the visiting people the net impact, as far as our negotiations are concerned, was distinctly positive. The impression created was that we have a delegation over there that is bipartisan, and that on a bipartisan basis observers came from both Houses of Congress, who made very supportive statements and gave the sense that we are approaching these negotiations on a unified basis. So whatever the expense was, I think this is one that was worth it.

CUTTING EXPENSES OTHER THAN PAY

Senator HOLLINGS. Well, you are quite loyal. [Laughter.] Let me yield to my colleagues. Thank you, Mr. Chairman. Except there is one thing with respect to actually spending too much money. That will be the case when you and I are dead and gone.

You can always find economies in Government. People can understand a city. We all live in one or the other. No city could cut its revenue base 25 percent as the Federal Government did in individual income taxes, or certainly as they did the corporate tax, just about eliminating it. It was best described by President Reagan's budgetary spokesman, Mr. David Stockman, as hogs feeding at the trough. Therein is our problem.

We have tried economies. Senator Laxalt, myself, we have gone over the budgets in Commerce, State, Justice. We don't want to cut the Justice Department, the FBI. We actually need more drug enforcement. We need more security. We have actual needs in this Government.

So I understand a 5-percent proposal is a serious one, but it shouldn't be taken seriously, I can tell you that right now. I can find way more economies around here in those international organizations, different places, than taking good people in Government and telling them they are the trouble, that they are the economy. That is not the case at all. We have to hold and attract good people into the Foreign Service, like you commended our act in 1980 to help build it up, and competitively and other ways.

It is very difficult to hold people. We shouldn't be cutting pay. We should be cutting other expenses and looking more judiciously at other things like international organizations that just meet and eat.

Thank you, Mr. Chairman.

Senator LAXALT. Senator Specter?

Senator SPECTER. Thank you, Mr. Chairman.

RESPONSE TO TERRORISM

Mr. Secretary, I would like to pursue the question of the budget on terrorism. I note in your opening statement your comment that war starts where diplomacy fails. I wonder if there isn't an intermediate step in terrorism between war, which really amounts to war, and which we are in at the present time.

When you appeared here 2 years ago on April 21, 1983, we had just had the bombing in Beirut and the subject was taken up in some detail at that time. The subcommittee expressed to you its willingness to finance whatever was necessary, including additional military personnel, in addition to host country assistance.

Since that time, 2 years now, the situation has gone really from bad to worse. There seems to be a flurry of concern and a flurry of focus recently with the report about the State Department having admonished in some way Iran.

There is the statement quoted in yesterday's Washington Post by President Reagan saying:

> If that is the case, and it can be established, then that business of trying to find and track down in all the world a few terrorist individuals for some crimes, you go to the source, the Government that supports them.

Then there is the report in this morning's Times about the administration publicly warning Qaddafi.

I don't know if this is the proper place to talk about the matter in any depth. It might be. But in terms of our appropriation responsibility and our oversight responsibility, maybe we ought to have a discussion which is closed. But to the extent that we can discuss the matter publicly, what are we doing? What are we about to do? Is there some significant increase in U.S. response to terrorism?

FORMS OF RESPONSE

Secretary SHULTZ. There certainly is. It takes various forms. I think they can be stated publicly, although I don't want to go into the detail of a particular thing because that would be much more difficult.

But as a general proposition, first of all, we are making our facilities more secure and our habits of mind more oriented to that problem, as we have been discussing. I think it is important that we do that.

Second, we have been leading the effort to persuade people in friendly governments that the problem that we are dealing with is an international problem. It is not a problem of what is happening in a country somewhere. It has international links.

Third, we see a lot of interconnections to other things, particularly drug trafficking, and in certain parts of the world you see this especially.

And fourth, you see, unfortunately, that there are some governments that have either directly in terms of things they have said, such as statements made by Qaddafi, or as we surmise it from our own intelligence gathering activities some governments that are in one way or another supporting terrrorist activity as a tactic, as a semiwar tactic, as you pointed out, and I agree with your characterization of this sort of gray area.

WORKING WITH OTHER GOVERNMENTS

We are leading an effort to get the nature of this activity recognized clearly and thereby to enhance our intelligence about it, to exchange ideas with other countries, many of whom have been dealing with this problem in some respects more than we have, and have interesting things to teach us, just as we have some things to teach others. So we are generating improved technique and intelligence.

We are also developing, I think, an ability to work with other governments. If there is a terrorist problem in country X, we will say, where we have important interests, representation, businesses operating there, and so on, and our intelligence shows us that there is a terrorist-drug trafficking problem, well, the United States cannot get up an antiterrorist squad and go into that country and do something about it. We have to work with the host government.

We need to get the host government to recognize, along with us, the nature of this problem. Then we want to be able to work with them, to contribute what we can toward doing something about it in that country. We have been making headway along those lines.

Philosophically, I think that we must have the attitude that we need to be ready to do more than just passively defend ourselves. If we see a definite and identifiable source of terrorist activity pointed at us and we are about to have the trigger pulled on us, we shouldn't hesitate, in my opinion, to do something about it if we can. There are obvious restrictions and problems and things you have to think about. But I believe that we have to have, as I call it, a positive view of defense. I think if this is done properly, there will be widespread support in this country.

LEGAL ASPECTS

Senator SPECTER. Mr. Secretary, I don't call it semiwar. I believe we are at war. I think Qaddafi has declared war on the United States in his express statements. When we are attacked, if in fact, as the President has asserted, there are governments behind it, I think there are acts of war when it is governmental action. That in my legal opinion constitutes war.

When you talk about philosophically doing something more than acting passively and you talk about governments, I think there you are getting to the nub of it. The rest of it I would submit is a level of generalization which is useful but does not advance the ball beyond what has been said before.

We have the authority under our laws to define acts extraterritorially as acts against the United States and to prosecute such conduct in U.S. courts. There is authority which you and I have discussed before, Supreme Court decisions of the United States, starting with *Kerr* v. *Illinois* almost a century ago, and right down to the last few years in Federal courts, which would authorize taking into custody international criminals.

The real question is when we identify governments, as apparently we have, what are we going to do about it?

Secretary SHULTZ. I am not prepared to talk about possible actions we might take against a particular government. I am not without thoughts and we aren't without things, but I don't want to do this in a public hearing.

ASSESSING APPROPRIATION REQUIREMENTS

Senator SPECTER. I understand that. That is why I said preliminarily it might be a subject for a closed session, as we assess what appropriation requirements are for this line. Perhaps we can discuss that later, Mr. Chairman. I will move on to another subject.

Secretary SHULTZ. I might say, just looking at it from the standpoint of appropriations, we have a unit in the State Department that works with all of our security. Basically it is under Ron Spiers, and it devotes itself to the subject of antiterrorist activity as a coordinated responsibility within the executive branch. So we work with our sister agencies.

The State Department as such is not an agency that has the kind of capability to carry out some sort of an action. So that is not where you see the budgetary expenses. Our budget contains this relatively small group of people whose job it is to coordinate and develop intelligence and coordinate with other governments.

Sometimes people point to that budget and say is that all you are spending on the subject? That isn't all we are spending, but it is what the State Department is spending on one portion of it.

Senator SPECTER. But the formulation of policy starts really with the State Department. That is why I think it is important to talk about it here.

Secretary SHULTZ. Yes.

WAR POWERS ACT CONSIDERATIONS

Senator SPECTER. Let me move to another subject which may be a related subject that we talked about before. Last year we talked about the War Powers Act which was a very major issue at that time. We had some discussions on the record about having some private discussions afterward.

It may be that some of those discussions are relevant to what we are talking about now, if in fact there is to be some positive action, as you say, not passive, so it would be active. That subject could be upon us again.

We had that long debate on the Beirut issue where it reached the pinnacle and we had reached the possibility of a friendly lawsuit, so to speak, where the Congress and the State Department put a lawsuit together.

My question to you, Mr. Secretary, is, is there any active consideration of the kinds of problems we discussed on the War Powers Act, any active consideration now by the Department of State?

Secretary SHULTZ. We have been developing thoughts on the subject, but we are not in a position to put forward any particular set of ideas. I look forward to exploring that, as I think I will have an opportunity to do so, in a fresh way before long.

But I think that you are right, that the War Powers Act considerations come in as you consider some kind of active measure that you might take. Now, of course, as I have tried to describe earlier, if we are talking about something that takes place in some other country, then at least presumptively it is the host country that is going to actually do something, not us, although we will be prepared to be actively helpful to them.

Senator SPECTER. But not when it is another government. At that point it is not some band of brigands in some host country which is acting illegally; it is another government which is acting illegally, which is carrying on acts of terrorism and acts of war. So we are not looking to a host government to be the unit to really carry it out.

Secretary SHULTZ. That is correct.

Senator SPECTER. That is where War Powers could come in the picture.

Secretary SHULTZ. It could come in in both cases, as I read that act. I don't sit here as an advocate of that act, but as a person who has taken an oath to follow the law.

Senator SPECTER. It is the law.

Secretary SHULTZ. As I read it, that is the law. It does have a pretty potentially widespread application.

GENEVA NEGOTIATIONS

Senator SPECTER. Mr. Secretary, let me pick up on a question which Chairman Laxalt asked you about, about a summit. This is a continuing matter. MX is still before the Senate. It is in the Armed Services subcommittee and is now coming before the full committee and soon before the floor. The talks are going on in Geneva.

Is there any likelihood, possibility, that President Reagan will become involved in the Geneva issues when we look for an agenda, something that he could direct his energies to?

That is a question which I hear discussed in the Senate with respect to what we are going to do in the future about the MX. It has been a weapon which has been justified more on diplomatic grounds perhaps than military grounds.

I am wondering if there is any likelihood that the President will become involved in the subject matter of Geneva, if not in Geneva itself.

Secretary SHULTZ. The President is heavily involved in the subject matter of Geneva negotiations.

Senator SPECTER. I mean on discussions with the Soviets.

Secretary SHULTZ. We have had a lot of discussions that have resulted in the President's instructions to the negotiators. He is part and parcel in giving the leadership to that whole effort.

As far as there being some result from Geneva to be discussed or certified or something at a summit meeting, I can only say that Geneva talks are just getting started, and while from our standpoint we think we have some very good positions on the table and if the Soviet Union is prepared to take them, well, we could have a result right away. But I think that the likelihood is we are going to have to struggle for a while.

INTEREST PAYMENTS ON ECONOMIC AND MILITARY AID

Senator SPECTER. Mr. Secretary, one current subject that we are faced with in the Foreign Operations Subcommittee, but it is relevant here, too, as well, is the issue of the interest payments on the economic aid which is going to Israel and to Egypt taking up so much of what we are appropriating. I wonder if you have a view on that subject.

Secretary SHULTZ. I think as a matter of description you said it right, and it is a subject that comes up constantly with any country that has received military sales credits over the years. These credits have been basically on reasonably easy terms, although the interest rate method makes it a pretty high level. But there is always this long period of no payment and then payments start and the things rolls up and we find quite a few countries in a position where the money they owe is at least as large as whatever support we are giving them. So there is a day of reckoning for any loan. That is life.

Senator SPECTER. But is it our position to maintain a collection policy on the interest and on the loans?

Secretary SHULTZ. That is our position. I think that it is a position we have to review because there are instances where countries can pay and I think sure, there are other instances where basically they can't pay.

What is tending to happen is we wind up appropriating the money to allow them to pay us the debt they owe us. It is sort of a ridiculous proposition, but maybe it keeps the forms straight at least. There is something to be said for that.

JEWISH EMIGRATION FROM SOVIET UNION

Senator SPECTER. Mr. Secretary, what are the prospects more Jews might be permitted to emigrate from the Soviet Union, prospects say for 1985?

Secretary SHULTZ. I don't have any good way of making an estimate on that. We are working on that. We call the importance of it to the attention of Soviet officials whenever we meet with them. We put as much pressure on the subject as we can.

But as for making a prediction about what will happen next year, I wouldn't know what base I would have for doing that. I can express a hope, but all I can really say is that I can assure you we will be working on that as hard as we can, quietly, publicly, any way we think is effective.

DEVELOPMENTS IN EL SALVADOR

Senator SPECTER. One final question, Mr. Secretary. That is with respect to El Salvador. We are looking again at substantial appropriations there, and in Central America generally, and the issue recurs about whether we are making any progress on restoring human rights there.

We have been very diligent, pushy, about trying to get a judicial system there. I authored an amendment earmarking $3 million for their judicial system. We tied up $19 million of funds on the trial of the church women.

The recent reports are that there is still no effective judicial system that operates in El Salvador, according to Mr. Pickering. We keep saying that we are going to continue to push and exert our best efforts and try to get something out of the government, like the Duarte government. But how long can we simply do that as opposed to really being insistent on something positive if we are going to continue to give them economic and military aid?

Secretary SHULTZ. I think that the developments are fundamentally very positive, and perhaps the most important thing that has happened is that the political group in the country that stood most forthrightly for the rule of law did very well in the recent election. So I think that is the kind of thing that bodes well.

It seems to me what we should be doing is keeping after it, supporting the efforts that President Duarte is making. And I believe that we have made some headway, even though, as you said, the situation is certainly unsatisfactory.

Senator SPECTER. Ambassador Pickering says flatly there is not an effective judicial system that operates in El Salvador. That is what we have been looking at now for a long time. Each time we talk about it, and I understand the difficulties from your position, it is a matter of policy and a matter of push, but perhaps the time has come to set some conditions like we did on getting a verdict in the case.

We see what goes on in Honduras. You really wonder what is happening there. Who constitutes a supreme court of Honduras? The chief justice is in jail. Who signs the writs of habeas corpus now?

We are putting a lot of money in El Salvador. We have laid out a blueprint. We have set conditions. And at least according to Ambassador Pickering, not too much seems to be happening.

Secretary SHULTZ. I think it is not correct to say nothing much seems to be happening. We talk about a system. The creation of a system is something that takes a long while, it seems to me, and it has to be an adaptation of the kind of system that fits their situation and background.

However, there have been acts of injustice, you mentioned one of them, that have taken place.

I am not going to sit here and try to say that the situation is satisfactory. I have said it isn't. On the other hand, I do think that there has been progress. And I do believe that the very strong vote which really surprised people that President Duarte got is perhaps justifiably interpreted at least in part as people say yes, he is the guy who stands for trying to improve matters here and he now will have a majority in their congress. That gives him something to work with that he didn't have before. So I think that is really very encouraging.

Senator SPECTER. Thank you very much, Mr. Chairman.

Senator LAXALT. Senator Lautenberg?

FIVE-PERCENT PAY CUT

Senator LAUTENBERG. Mr. Secretary, what I am going to say may be pleasing to you, but I don't know whether it is important for the record. That is to say that this, my first meeting of this subcommittee on appropriations, gives me an opportunity to talk to you about some issues that I think are of particular concern. But I did want to start off by telling you that I greatly admire and respect the job that you do. It is a very difficult job. It is not one that I think at times is totally understood in terms of the conditions under which you have to operate.

I for one want to say that I salute your efforts. Therefore, I find it very difficult when I read your statement here in which you say that the most important part of the organization, the most important asset, are people. People are the Department's most important resource. We never lose sight of that fact. I am paraphrasing here, making a little briefer the statement. But you say it is why we attach so much importance to improved security, to pay and benefits, and to training.

I think it is fair to say, isn't it, that a significant part of your staff operates under less than acceptable conditions. Then to impose pay cuts, regardless for the moment of resource availability, because that is a separate subject, doesn't this challenge very much the view that you present here when you discuss morale and you discuss the need to attract and retain the best kinds of folks that you can get in the State Department?

Here we are facing a prospect of a 5-percent pay cut, and talking about other allowances that have to be supplemented because of unhealthful or dangerous living conditions. You said the 5-percent pay cut should apply to everybody, and you identified yourself as one of those who it might apply to. I think it is fair to say that you and I have had a similar experience before our present positions in government and we can afford the pay cut better than a lot of—you certainly can; I can—better than a lot of people who depend on this for their sole source of livelihood.

What do we do about this kind of dilemma?

Secretary SHULTZ. Well, we have a dilemma. People would like to get paid more. But we have a very serious, I think a crisis situation myself, in the gigantic deficits in the Federal budget. So we have to address ourselves to that problem, and that means cutting things.

Somehow the readiness to cut your own pay a little bit is a significant marker of sort of serious intent, and presumably if we can get the thing straightened out, then pay will come back.

PAY AND BENEFIT STRUCTURE OF THE FOREIGN SERVICE

In my statement I wasn't referring simply to the question of pay level but to pay structure and the benefits structure that go with the Foreign Service; in particular the retirement structure, because we have a service in which we have a pyramidal approach.We are trying to have the junior ranks filled out and encourage people to come in, but then as people get more senior, they get promoted—some do, and others don't—so they need to leave. They are required to be overseas more or less half their time.

They are in risky situations. Sometimes they are exposed to health hazards. So we think that the retirement system, which is part and parcel to the personnel system, needs to be preserved. It is justifiable that people are allowed to retire at an earlier age than one might say is normal because of the nature of this system.

That is the kind of thing I was referring to.

Senator HOLLINGS. Would you yield?

Senator LAUTENBERG. Yes.

FIVE-PERCENT PAY CUT

Senator HOLLINGS. Do you think it is necessary, Mr. Secretary, to cut employees at the State Department 5 percent so that General Dynamics and General Electric will not have to pay any taxes?

Secretary SHULTZ. Oh, yes. We have to be sure that they don't pay taxes. [Laughter.]

Senator HOLLINGS. That is what I was wondering. Thank you. [Laughter.]

Senator LAUTENBERG. Senator Hollings has a way for dramatizing these things.

Senator HOLLINGS. That is factual.

Senator LAUTENBERG. I liked that question about the photo opportunity. I thought Eastman Kodak was going to pay for that. [Laughter.]

But there is an important issue here, Mr. Secretary.

Secretary SHULTZ. I think everybody ought to pay taxes, myself.

Senator HOLLINGS. Amen, brother. If we do that, we will have plenty for State Department increases.

Secretary SHULTZ. That is not the point. We have to get the spending down. There is too much government takeout of the gross national product. It is way beyond what it has been historically, and we have to get it back in the box somehow.

Senator LAUTENBERG. Mr. Secretary, pursuing that line, therefore, in this community, what we have to do is continue to reduce the pay of the firefighters in town as well as some of the other functions, like the Botanical Department or things like that. I mean at some point, Mr. Secretary, it is pretty obvious that some jobs, some functions, are more critical than others. And as we see the risk and the importance attached to some of the functions that your people perform, frankly I find it difficult to justify cutting their pay.

I, too, would like to reduce the size of the deficit. And using the fire department analogy, what I am talking about essentially is front line fighters.

I think whatever equipment we can give those people to do the job with, including some sense of security about their financial obligation to family and to themselves is money well spent. I would think, Mr. Secretary, if we could search your innermost thoughts that you would agree that people who do the job deserve something better than a 5-percent pay cut.

I visited Beirut a year and a half ago and met with Ambassador Bartholomew. I frankly was in awe of his willingness to commit body and person, everything else, to that situation. But there he was and he was doing his job. It seems to me we have to continue to enforce our commitment to people who are doing that job.

INTERACTION OF EGYPT AND ISRAEL

Mr. Secretary, I want to talk about the Middle East and some of the problems that we have there with particular reference to Egypt and Israel. I remember in a briefing that we had with you one day you said, and correct me if I am wrong on recalling your statements, that Israel had lived up to the letter of the agreement at Camp David, I believe you said without qualification. That may not have been the word, but that certainly was the implication. You were commending Israel for its adherence to the agreement.

Can we start off with that understanding?

Secretary SHULTZ. I think you are probably referring to the question of the Sinai, the peace treaty with Egypt.

Senator LAUTENBERG. Yes.

Secretary SHULTZ. There was a great deal of controversy about some other aspects. I know that President Carter, who is presumptively an authority on Camp David, and some of his Israeli counterparts, have rather different interpretations of what they agreed to.

But putting that to the side, I think with respect to the return of the Sinai and the demolition of settlements in it and things of that kind, Israel carried out its undertakings faithfully. There is remaining an issue, the so-called Tabat issue, and maybe you——

Senator LAUTENBERG. Viewing it from here, it is minuscule.

Secretary SHULTZ. Well, viewing it from here, it may look minuscule to you, but I can tell you the people out there don't view it that way. It is a matter of intense interest.

There have been in recent months some rather constructive discussions of it between Israeli and Egyptian authorities. We continue to work with both parties, trying to warm up the peace between Israel and Egypt.

I think there is some considerable motion in that direction.

Senator LAUTENBERG. Mr. Secretary, where else is there regular and significant contact between Egypt and Israel? Certainly not in normal diplomatic relations. Egypt still has not sent its Ambassador back to Israel. Where else is there regular and let me use the term "normal" contact between Israel and Egypt?

Secretary SHULTZ. There are a great many things that could be listed. There is, for example, an Ambassador from Israel in Cairo.

Senator LAUTENBERG. Yes; but there isn't one the other way.

Secretary SHULTZ. Well, you just said where else. I am trying to give you examples. There is an Egyptian chargé in Israel. There are I think quite a large number of tourists and people engaged in other activities coming from Israel to Egypt, probably a trickle in the other direction. But at any rate, there is that kind of flow.

There are other things that take place, such as participation in trade fairs and things of that kind.

I don't want to try to paint a picture that isn't real, but if the implication is that there is no interaction, I think that is wrong. There is a fair amount of interaction. And as was said during the Israeli election campaign by Mr. Shamir and by others, a rather chilly peace is a lot better than no peace at all.

Now we want to do better and we will try to do better, they are, and we are trying to help them. I think we are making some progress.

RESPONSE BY ISRAEL AND EGYPT TO FOREIGN ASSISTANCE

Senator LAUTENBERG. A chilly peace is certainly not what was bargained for in Camp David, nor was it in my view expected that we, the United States, would be out of the loop once that agreement was concluded. We continue to fund Egypt and Israel in substantial proportion. In particular I think it is fair to say that we exercise a fair amount of influence in Israel as we disperse funding for economic and military assistance.

I frankly don't see it the same way with respect to Egypt.

On the Egyptian side, the administration's request is for $2.1 billion, in rough terms, for Egypt this year. Your congressional presentation states that:

> U.S. security assistance to Egypt is designed to support Egypt's commitment to peace with Israel and to enhance its stabilizing influence in the region. Egypt shares our objective of a just and comprehensive Arab-Israeli peace settlement and is working actively to achieve it.

That is a quote.

Secretary SHULTZ. Sure. I stand by those words.

Senator LAUTENBERG. But when we look at what Egypt's response is to taking the role that I think it was assumed to have taken, it is sorely missing. I don't see that kind of assertive response to our request to be involved.

What I see again is this, to use Shamir's description, as you have described it: a chilly peace. That is certainly not what was expected, at least as this Senator sees it.

I wonder, what do we get for our investment in Egypt? I think it was shortly after last year's first major step-up in assistance there that Egypt announced that it wanted to take a more balanced stand, that it didn't want to be aligned. Am I correct in my recall here?

STABILIZING ROLE OF EGYPT

Secretary SHULTZ. I think we get a great deal. It seems to me, first of all, that Egypt as a country with some capacity, does play a stabilizing role in the region. Senator Specter has been asking me about the subject of terrorism and Libya and Qadhafi. I think the Egyptian stance vis-a-vis Libya is a very positive one from our standpoint.

In terms of the relationship to the peace process, I think President Mubarak has been trying to play a constructive role, particularly recently, and his efforts, along with King Hussein, I think show some progress—not much, but it is motion, and motion in that part of the world is hard to come by.

SETBACK IN LEBANON

Now in terms of the last year or so, I think we have to recognize, perhaps you will disagree with me, but for progress in a peace process, the Israeli invasion of Lebanon was a big setback. Of course, it was in response to problems that Israel had resulting from Palestinian presence in Lebanon. But nevertheless, that invasion created great turmoil and put a lot of activities on hold. I could describe the situation and it is a fact.

MAINTAINING THE QUALITY OF PEACE

So I would have to tell you it is a complex situation over there. We would like to see the relationship between Egypt and Israel stronger and warmer. I think the comment that you hear in Israel a good deal—namely, if the formula is territory for peace, again public territory, where is the peace and what is the quality of the peace? I think that the quality of the peace needs to be maintained.

Now I believe it is a fair comment to say that in the natural Egyptian desire, to be a part of the natural Arab community, of which it is historically a part, and a leader for that matter, Egypt has been very strong in saying that it would never let go of its peace treaty and understanding with Egypt as a condition for some sort of acceptance in the Arab world. And they dealt with that very well. And it is interesting that Jordan has now reestablished diplomatic relationships with Egypt while Egypt has maintained its peace treaty with Israel.

So there is a certain bridging there. I think that is a positive thing.

I don't want to paint a rosy picture here, but I don't think the picture is all bleak either.

Senator LAUTENBERG. Mr. Secretary, I am getting eyed by the chairman. I assume it is not in admiration. [Laughter.]

Senator LAXALT. Not in disdain, either. [Laughter.]

NEGOTIATING CONDITIONS FOR PEACE

Senator LAUTENBERG. I will sum up very quickly now.

The Mubarak-Hussein plan that you make reference to, certainly I salute anything that eventually can lead to a peaceful resolution of the problems there, but it is based on an agreement between Hussein and Arafat, is that not so?

Secretary SHULTZ. Well, it is based on a lot of things. It is not a plan. What we are looking for is movement in a process that in the end will lead to a proper Arab delegation sitting down directly with Israel to try to negotiate conditions for peace in the Arab-Israeli dispute. There is a slight amount of motion in that direction; not gigantic, but it is motion. I don't want to try to make too much of it.

PROPER DELEGATION FOR PEACE NEGOTIATION

Senator LAUTENBERG. If we are all in office by the time this concludes at that pace, we will be among the aged for sure.

You say proper delegation. What is the definition, Mr. Secretary, of that proper delegation?

Secretary SHULTZ. I think that the key Arab country involved at this point is Jordan, with King Hussein as the leader. The population group that has to be satisfied in any deal is the Palestinian population group. No one can make a deal for a group unless they are represented in a deal-making process. That is elementary. As a matter of fact, that proposition is clearly recognized in the Camp David Accords.

But, how do you find people who will be accepted as legitimate by the Palestinians and whom Israel will sit down with? You start with a proposition that Israel won't sit down with declared leaders of the PLO or members. On the other hand, it is not worth sitting down with people who have no standing to represent the Palestinian people. It is a dilemma to try to find your way through that keyhole, and that is what we are trying to do.

Senator LAUTENBERG. I will respect my chairman's glances and relinquish further questions. Thank you, Mr. Secretary. I appreciate it.

Senator LAXALT. Senator Bumpers?

Senator BUMPERS. Mr. Chairman, I will defer to Senator Chiles. I think he came before I did this morning.

Senator LAXALT. Senator Chiles?

PROBLEMS OF NARCOTICS CONTROL ASSISTANCE PROGRAM

Senator CHILES. Thank you, Mr. Chairman, and Senator Bumpers.

Mr. Secretary, there has been some criticism that program management of the State Department's Narcotics Control Assistance Program suffers because Foreign Service officers are unaccustomed to running such aid programs and because narcotics assignments are viewed with distaste from a career standpoint. Program managers are often contract personnel and narcotics assistance unit positions often remain unfilled for long periods of time.

Obviously the lack of an institutional memory or professional cadre has a negative effect on the overall program.

What steps would you envision to improve performance, and do you think it would be beneficial to establish a professional narcotics officer program within State to upgrade personnel to this vital area?

This is new work in the State Department and this is a new problem really, but it is one that certainly is major with us in many, many countries now and certainly major in this country.

Secretary SHULTZ. I agree with your identification of the importance of the problem and the program. I agree that we need to do a better job of flowing into it high quality talent. And while I think the situation is reasonable, I think there is a lot of room for improvement in that regard.

I believe there is a general problem in the tendency of people in the career service to be oriented to the work of the geographic hero. That seems to be where the action is. So when it comes to specialized problems in general, they tend to shy away. I believe the answer to that is to make it clear that the road to career advancement is in part through activities of this kind.

Senator CHILES. Absolutely.

Secretary SHULTZ. That is exactly what we are trying to do.

Senator CHILES. I hope that message can get out, because I don't think you would have those openings all the time and those unfilled positions. But again, if you see that the sort of less attractive officers end up in those posts, that says something to someone, too.

Secretary SHULTZ. Right. And I thank you for bringing it up and exchanging a view here. That the manager of the Foreign Service here is nodding his head is all to the good.

Senator CHILES. I hope it will bear fruit.

Secretary SHULTZ. How about it, Ron? Will it bear fruit?

Mr. SPIERS. Yes; I would like to say something generally about it, and that is that most of the Foreign Service officers I know deal with this problem as part of the day's work. It is not just a problem for specialists.

I have served as Ambassador in three countries where I probably spent at least a third of my time on narcotics problems. I think you are correct, it has not been regarded as one of the more desirable assignments.

One way to deal with that is to make sure people who are in those assignments do not get prejudiced against future assignments, that this is recognized in what they are asked to do next. That is something we have not only worked on, but in which we are making progress.

NEGOTIATING UPDATED EXTRADITION TREATIES

Senator CHILES. Thank you. I hope that will be true.

Can you tell me what progress is being made in negotiating updated extradition treaties relating to narcotics offenses with major drug-producing countries, particularly in Latin America? Some of our staff of the Appropriations Committee and the Budget Committee were told the Dominican Republic, for instance, they were ready to start with a new extradition treaty down there.

That continues to be a big problem we have in trying to extradite these drug traffickers.

TREATY NEGOTIATIONS

Secretary SHULTZ. I think progress is being made, and not only in the negotiation of treaties but the actual implementation, a most recent example being Colombia.

Senator CHILES. We see that very vividly.

Secretary SHULTZ. You see the tension that results from it.

Senator CHILES. Absolutely.

Secretary SHULTZ. But nevertheless, it has taken place.

I would like, if I could, to give a considered answer for the record, to get up the material properly and have the legal staff answer your question, Senator.

Senator CHILES. I thank you for that.

[The information follows:]

PROGRESS IN NEGOTIATING UPDATED TREATIES

For more than a decade, the United States has pursued aggressively a policy of concluding new extradition treaties or updating old ones with a number of countries in several regions, including Latin America. During this period, the United States has, for example, concluded extradition treaties with Colombia, 1979; Uruguay, 1973; Costa Rica, 1983; Argentina, 1972; Mexico, 1978; and Paraguay, 1974. In recent years, as international narcotics trafficking has increased, so too has narcotics trafficking become an increasingly important factor in executive branch decisions to negotiate extradition treaties.

As you are probably aware, pursuant to the terms of the 1979 Extradition Treaty with Colombia, that government recently extradited to the United States four major drug traffickers who were sought by U.S. authorities on drug conspiracy and other narcotics charges. Cases involving a number of other U.S. drug fugitives are currently being adjudicated in Colombia under the terms of that treaty.

During this administration, as a complement to our efforts in the extradition area, we have also endeavored to conclude additional treaties on mutual legal assistance in criminal matters. Among the first such treaties were those with Switzerland, 1973; Turkey, 1979; and the Netherlands, 1981. These treaties have served as additional instruments in our law enforcement quiver to combat narcotics trafficking. Such treaties can assist U.S. prosecutors to obtain vital evidence from abroad needed to convict traffickers and to reveal their money laundering activities. The United States has ratified a mutual legal assistance treaty with Colombia that was concluded in 1979. When Colombia has ratified the treaty and our respective instruments of ratification have been exchanged, that treaty will enter into force.

In sum, we are attempting to conclude extradition and mutual legal assistance treaties with a number of other countries and intend to bring them into force just as quickly as circumstances permit. These treaties continue to be an important priority in the Department's treaty negotiations program. We look forward to continued close cooperation with the Senate in this area, and in particular receiving its advice and consent to ratification of such law enforcement treaties.

INVOLVEMENT OF CUBA AND NICARAGUA IN DRUG TRAFFICKING

Senator CHILES. There have been persistent reports of direct and indirect involvement by Cuba and Nicaragua in drug trafficking activities. Is this a matter that the United States can pursue in international forums, specifically the OAS, which I believe is holding a conference in early 1986 on international cooperation in controlling or eradicating drug trafficking in the Americas? Is this not something we ought to elevate to these international forums?

Secretary SHULTZ. Yes; I agree with you. And there is direct evidence with respect to those two countries. There is not any question about it.

Senator CHILES. I think there is. And I think sometimes we print that in our papers here, but internationally they still are not really charged with the brush they should be charged with, and they are sort of peoples revolutions that they have, that they are interchanging drugs and guns and involving themselves in these kinds of activities, terrorist activities.

QUESTION OF REGIONAL ORGANIZATIONS

A persistent problem in terms of reducing the cultivation and manufacture of illicit narcotics in Latin America with some success in one country often means development of new production across the border in a neighboring country. Could the United States not play a role in encouraging the major countries in the region to establish a regional organization to combat narcotics? For example, such a group can coordinate intelligence, identify traffickers and establish eradication teams. The United States could supply help with resources but allow these nations to take the lead in combatting drugs.

Secretary SHULTZ. We can do that, and we are developing a sense of the international dimension of this problem that I think is very acute in people's minds. There is President Bantencour, for example; we had dinner with him last night. The international dimension, exactly the way you portrayed it, is much on his mind.

We have had a number of discussions among leaders of South America exactly on this point. I think it is a point well taken.

TURNAROUND ATTITUDE OF HOST COUNTRIES

Senator CHILES. Do you sense, Mr. Secretary, that there is some turnaround in the attitude now of the host countries where cocaine or marijuana has been coming in, that in the years past they viewed this primarily as our problem because we were the ones that were consuming the drugs, but that now not only do they perhaps have a drug problem that is growing in their countries but they are finally realizing that the profits that come from these are fostering revolution and all kinds of corruption that is a big problem in their country?

Secretary SHULTZ. Yes; I believe that is taking place. It has their attention. It helps us in working on the problem. I do think that we have to continually remind ourselves that the heart of this problem is the use, dependency and, therefore, the great profitability of selling drugs in this country. So we need to work on the supply side hard, and we are. We also have to recognize that there is a case here of demand creating supply, and it is important to keep working on the demand side.

In that regard, I think the conference the First Lady, Nancy Reagan, is having later this month will be attended by 18 first ladies from various parts of the world and is an important event because these first ladies are all registering their concern about this problem. I think it is a very positive development.

Senator CHILES. Thank you. Thank you, Mr. Chairman.

Senator LAXALT. Last, but certainly not least, the very gracious Senator from Arkansas. [Laughter.]

Senator BUMPERS. Why do I always get those kinds of introductions?

Senator LAXALT. You earn them.

Senator HOLLINGS. You need them. [Laughter.]

Senator LAXALT. That came from your own, Dale.

SETTLEMENTS ON THE WEST BANK

Senator BUMPERS. Are you suggesting it is all downhill from here? [Laughter.]

Mr. Secretary, apparently the Peres government has a policy of freezing the settlements on the West Bank right now. Did we play any role in that decision or was that a purely internal decision by that coalition government?

Secretary SHULTZ. I wasn't aware of any announced freeze policy. It is a fact, though, lack of ability to fund, and therefore assignments are not expanding. But I don't think there is any declared freeze.

AID TO ISRAEL

Senator BUMPERS. What are you going to recommend to the Congress on the increased aid that Israel is seeking?

Secretary SHULTZ. First of all, on the military assistance, we have made a recommendation of $1.8 billion.

Senator BUMPERS. How does that compare with last year?

Secretary SHULTZ. It is up $400 million. Last year's was $1.4 billion. We believe that is necessary and we have done that recognizing that the security problem is one thing and the management of the economy is something else. While they are obviously connected, we didn't want to link the two together. I think that was wise scheduling.

Senator BUMPERS. I think they would like to have $800 million in additional economic aid. What will your recommendation be on that?

Secretary SHULTZ. There are two elements in the picture here. One is the fiscal 1986 budget, and at least as I have observed the congressional markup process, there is a tendency to put in the same number as last year, $1.2 billion. But the more operative close-in question is what is to go into the fiscal year 1985 supplemental.

The request or the number that is being talked about is a rather ingenious combination of a fiscal 1986 supplemental before fiscal 1986 starts plus a fiscal 1985 supplemental, which come together to a total of $1.5 billion.

Senator BUMPERS. In supplementals alone?

Secretary SHULTZ. I am describing the situation. That is not an administration recommendation. But when I testify before various committees who have jurisdiction of this, that is what the committees are pushing at us.

The view of the administration is, and my own personal view is, that the Israeli economy needs a lot of straightening around. There are a lot of things the Government of Israel needs to do. I think by and large those things are reasonably well known.

I believe that we need to guide ourselves by the standard of what is going to be most helpful to Israel. And at least it seems to me that Israel is going to be encouraged to come to grips with its problem most aggressively if it doesn't suddenly find itself with another $1.5 billion until it has taken steps to deal with its budget, to deal with its economic problems, to deal with the money supply problems, to put into place some method controlling the level of expenditures so a budget that is planned is a budget that is likely to emerge that way.

There are a lot of proposals in the air and things being talked about. I think that Prime Minister Peres has taken a number of very courageous steps, but at least in my judgment they aren't there yet, and we should wait.

CONCRETE ACTION BY ISRAEL

Senator BUMPERS. You are not prepared to make a recommendation until you think they are there; is that what you are saying?

Secretary Shultz. I think we should be in the stance of saying that basically it is up to them to solve their problems. That is the way they feel about it, too.

We want to help them. So we should wait until we see the concrete action before we take an action here. I think that goes for the Congress as well as the administration.

Senator BUMPERS. Mr. Secretary, let me shift gears for a moment because we discussed this a little last year. The only time this committee ever gets a shot at you is when you come up.

Secretary Shultz. I hate that kind of language. [Laughter.]

NO UNDERCUT POLICY ON SALT CONSTRAINTS

Senator BUMPERS. I want to talk just a minute about the so-called no-undercut policy of this administration so far as the SALT constraints are concerned.

In 1981, David Jones, who was then Chairman of the Joint Chiefs of Staff, said this:

> There is not even a marginal military reason for exceeding the SALT limits. If SALT II is disapproved, there is nothing we would do differently.

In January of this year, 1985, Brent Skowcroft said:

> Yes; I think we should comply with SALT II. There are restraints in the treaty on the Soviets which, however modest, are better than having no restraints at all.

I assume the administration will not find the people who made those statements unacceptable. I might also say Benny Davis, who is Commander in Chief of SAC in this country, said just the other day to the Armed Services Committee that his personal recommendation would be for the United States to continue to abide by SALT II. We are rapidly reaching the point when in September we are going to have our seventh Trident submarine launched and we are going to be breaking out of SALT II restraints unless we dismantle something. When you add to that the fact that the Soviets, according to the new book which comes out every year about the time we are going to debate the Armed Services recommendations on defense spending, says that in accordance with SALT II interim agreements, the Soviets have removed 12 Yankee I's since 1978. These had to be removed as newer submarines were brought on and for the overall SSBN force to stay within the limits of SALT I.

Now I don't think there is any question that the Soviets are in a better position to break out of the SALT II treaty than we are. I have never heard a military man say to the contrary.

But this creates an increasing concern to me because I agree with Skowcroft when he says there is nothing else if we break out of it.

Now the report that was required from ACDA this year said the Soviets are violating these treaties. That is a separate subject and I am not in a position to know how accurate the report is as to whether they are or they aren't. I recognize that they are testing two missiles. I recognize they have a phased-ray-radar system in the Soviet Union. Those things have been presented to the Standing Consultation Commission, as I understand it.

But there was nothing in that report that showed that they are continuing to dismantle Yankee submarines in order to stay in compliance.

Now that is a long question, but we are reaching the point where you and the President are going to have to make a decision on that. Could you shed any more light on your position now than in the past?

Secretary SHULTZ. I think the President has addressed himself, including in a news conference recently, to this subject and basically his position is, I believe I can fairly state it, that the no-undercut policy is in effect. However, we will face the question of what to do in the fall when the time comes.

POSSIBLE OUTCOME OF ARMS REDUCTION NEGOTIATIONS

Senator BUMPERS. Let me ask you another question. Kenny Adelman said the other day that the United States would still like a treaty with the Soviet Union that limited both sides to 5,000 warheads, which was a proposal that was tabled at Geneva in 1983 by General Rowney.

Now, given the fact we have more than 5,000 warheads on our submarine fleet alone and that our submarine fleet is generally considered to be the most invulnerable part of the triad, and that if we deploy 1,000 warheads on 100 MX missiles, we will be up in the range of 6,500 warheads, which means we will have to dismantle, if the Soviets should suddenly accept a 5,000 warheads limit, roughly 1,500 warheads.

Now, what would you suggest we dismantle in case that happy time comes?

Secretary SHULTZ. We have to do two things at once. We have to maintain our strength and modernize our forces so that whether there is an agreement or not, we are able to maintain the deterrent capability that prevents war. That is our first and most important priority. We have to keep that in front of us all the time.

The second thing that we are doing is engaging now in what is undoubtedly the most complicated and difficult arms negotiation, or I should say arms reduction negotiation, that has ever been undertaken.

The outcome of it remains to be seen, but if there is an outcome for radical reduction of the type that you were suggesting, then part of that outcome will treat where those reductions will be made.

Since our force structure and the Soviet force structure differ so markedly, and since it is not realistic to expect that a result would be either that we would try to have exactly the kind of force structure they now have or that they would adopt ours, there will have to be some so-called tradeoffs. And General Rowney, towards the end of the START round that he was conducting, had proposals of that kind.

So I wouldn't want to say, here is what I would recommend to be the manner of reductions, because that is a very important aspect of the negotiations, because we will want to have a reduction that comes down in a manner that is equitable, in a manner that looks at stability, as we reduce our forces. That is the kind of thing that is involved in the negotiations.

Senator BUMPERS. I don't want to fight the MX battle all over again, but it obviously makes no sense to me to deploy 1,000 warheads which are vulnerable and face the possibility of dismantling much less vulnerable warheads on submarines in order to accommodate them simply because we have the new one on line.

SUPPORTING DEMOCRACY IN EL SALVADOR

Let me just ask a couple quick questions, Mr. Chairman. No. 1, last year we put language on the appropriations bill that aid to any nation would be stopped immediately—I don't think we specified El Salvador—if a legitimately elected government, in this case Duarte, should be assassinated or overthrown.

Do you have any objection with that same language being in the bill this year?

Secretary SHULTZ. We support constitutional government. We support democratic government. We admire, I admire what President Duarte has done.

Senator BUMPERS. I do too, Mr. Secretary.

Secretary SHULTZ. I certainly pray that he is not assassinated. He is a man of great courage. I remember when he went to La Palma on his peace initiative, that he went there and walked in unarmed. I talked to him. I went to El Salvador before that and talked to him about it and tried to persuade him that he should take some elementary precautions about his security, and he wouldn't do it because he felt that would in some manner take away from the drive for peace.

Well, in the end the guerrillas stiff-armed him. I hope they will change their mind at some time.

But at any rate, he is a man in a very personal way who will take risks for peace, and I think we need to support him. I don't like to see language in legislation about what will happen if somebody is assassinated.

Senator BUMPERS. That is a two-edged sword.

Secretary SHULTZ. I think that is a terrible thing to say. I really don't like it at all.

Senator BUMPERS. It might even be an encouraging thing to put language in. He is fighting with the right wing down there. They might see that as an opportunity to stop all military aid from coming in.

Secretary SHULTZ. Yes.

Senator BUMPERS. But I just wanted your opinion on that.

Secretary SHULTZ. You got it.

STRUGGLE IN HONDURAS

Senator BUMPERS. I don't feel as strongly about that language as I once did, but I wanted your thoughts.

Could you tell us what is going on in Honduras?

Secretary SHULTZ. They are having a crisis of government, a struggle. I hope and trust that the basic condition of democracy will maintain itself in Honduras. It is a fragile democracy. It is a new democracy, feeling its way. We are going to support constitutional government there, and I think of the constitutional issues that have been raised, there are things to be said all around. We are going to encourage getting settled down.

Senator BUMPERS. Are we going to take any action if there is a military overthrow of the government there?

Secretary SHULTZ. We are supporting the continuation of constitutional and democratic government in Honduras.

Senator BUMPERS. Thank you, Mr. Chairman.

Senator LAXALT. I thank the Senator.

I would love to continue this discussion, but time is running out principally because we have good people from the USIA to be heard as well. I will take closing questions here. Are there any closing questions?

NICARAGUA AND THE CONTRAS

Senator HOLLINGS. Mr. Chairman, if I might, I will submit these questions on telecommunications. You have one competent group and you are trying to put them in the hands of an incompetent group. I will put that in the record and you will see the questions there.

What about Nicaragua and the Contras? What is going to be your recommendation or request?

Secretary SHULTZ. As far as Nicaragua is concerned, it is the problem in Central America.

Senator HOLLINGS. I mean the Contras.

Secretary SHULTZ. The people who are fighting the government there are fighting that government because of that government's actions. The President feels and I agree that those people deserve support.

Senator HOLLINGS. I feel the same way. How do we do that without adulterating our intelligence gathering agency? The Central Intelligence Agency is supposed to impartially gather and you are supposed to set the policy from those reports of information. They are not supposed to carry out policy.

They have a difficult time right now. You have it now that the Contras are a publicly known force. Should we give the money to the quartermaster corps under Defense or give it to the State Department?

I am trying to get my CIA out of policy and get it back into intelligence gathering. What suggestions can you make on that?

Secretary SHULTZ. When the time comes, we will have a recommendation, the President will have a recommendation.

Senator HOLLINGS. You don't have that at this time?

Secretary SHULTZ. The President will make it when he is prepared to.

Senator HOLLINGS. Thank you, Mr. Chairman.

Senator LAXALT. Senator Specter?

Senator SPECTER. I have no further questions. Thank you, Mr. Chairman.

Senator LAXALT. I guess that pretty well concludes this session. We thank the Secretary and everybody else. We appreciate it.

[CLERK'S NOTE.—The following prepared statement by Haydn Williams of the Asia Foundation was received with a request to be inserted in the hearing record. It will be inserted at this point.]

STATEMENT OF HAYDN WILLIAMS, PRESIDENT, THE ASIA FOUNDATION

Mr. Chairman, I welcome the opportunity to make this statement on behalf of The Asia Foundation. The Foundation is a private, publicly supported grant-making organization. Its purpose is to lend American encouragement and assistance to Asians for the growth and development of their own societies, to promote Asian regional cooperation and to further Asian-American understanding, cooperation and friendship.

The State Department in its recent testimony before the House Subcommittee on Appropriations for Commerce, Justice, State, the Judiciary and Related Agencies stated that the Foundation's "...programs in Asia have pioneered American efforts to support the growth and development of democractic institutions in Asia..." and that "by its example and the projects it supports, the Foundation has been an effective proponent of American political values and democratic pluraliam .

It is true that since its inception some thirty-four years ago, one of the Foundation's main concerns has been to help Asians build and strengthen their own institutions of freedom and democracy and self-government. The road to democracy in Asia has been an uneven one, yet progress toward more open, just and democratic societies has been made and current trends overall are encouraging.

It should be said at the outset that many Asian traditions already contain within them the seeds of democratic attitudes and practices upon which modern political institutions can be built. It must be accepted, however, that the nurturing of democratic aspirations will take time, patience, perserverance and steady encouragement and support.

The Foundation is well-positioned to provide this encouragement and support. It brings to the task a number of unique and valuable assets: an Asia-wide established infrastructure of overseas offices from Korea to Pakistan; an active network of personal contacts and institutional associations; a professional and highly-experienced staff of proven quality; and of greatest importance of all, the trust and confidence of leaders in and out of Asian governments and in Asia's private sector.

The Foundation's assistance for democratic development in Asia over the past thirty-four years has taken many forms: seed money for democratic institution-building; fellowship funds for leadership development; grants for political science research and publications; support for public policy conferences and seminars; the provision of American advisers on the courts and constitutional government; and a continuous supply of American books

and journals to schools, universities, promising scholars and government officials.

Representatives of The Asia Foundation have been making hundreds of grants of varying sizes annually to Asian institutions and to individuals committed to finding ways to:

- strengthen respect for the rule of law, constitutional democracy, and orderly political processes.
- improve electoral systems, voter registration, citizen education programs, and election administration.
- advance human rights, legal literacy, equal access to justice, and the independence of the judiciary.
- build stronger institutions of self-government, national parliaments, provincial assemblies and local governing councils.
- further the free flow of information, the exchange of ideas, and a free press.
- introduce into educational systems and academic programs democratic ideals and the practices of democratic self-government as the best guarantor of internal stability and individual freedom.
- promote the growth of democratic pluralism through support for private sector activities; voluntary organizations, business associations, professional societies and traditional and cultural institutions.

Over the years in all of these areas there have been successes. The Foundation has assisted in the drafting of constitutions; in drawing up rules and procedures for national law-making bodies; in training legislative drafters; in establishing parliamentary libraries and reference services; in training legislative staff; in providing opportunities to elected members of Asian national assemblies to observe the U.S. Congress and State legislatures, and by arranging for leaders of Asian political parties to study the American political party system.

The field of law has been one of the Foundation's most fertile areas of programming. Asian legal education and research have been strengthened; bar associations, law societies, legal aid and human rights organizations have been started and continue to be active in furthering civil and political rights. Measures to bring about court reform, improved judicial training, the speed-up of trials and more equal access to justice have all been given sustained support by the Foundation in nearly every country in Asia. As a result progress has been made over the years in strengthening Asian legal systems as basic bulwarks of democracy.

A list of Asian private sector organizations established with Foundation assistance and supported over the years would take several pages and by location would cover most of the map of Asia. Such a list would include: women's organizations, youth groups, credit unions, farmer associations, labor groups, agricultural cooperatives, family planning organizations, small business chambers of commerce, service clubs, bar associations, professional societies (economists, political scientists, scientists), press institutes, numerous community voluntary service organizations, rural development citizen groups and traditional and cultural organizations.

Throughout Asia a growing network of Asia Foundation-assisted private organizations is engaged in promoting popular participation and the practice of democratic decision-making. These private organizations offer unique training opportunities for emerging young leaders. They also encourage open discussion and debate, raise political consciousness and awareness and encourage and facilitate greater citizen involvement in community and national affairs.

Over the years, in large parts of Asia, the Foundation has found that it has been the only grant-making organization which private organizations could turn to for timely institutional and program support. Because of this factor, the Foundation has made more grants to more Asian private organizations than any other American or foreign foundation operating in Asia. Consequently, democratic pluralism in Asia has been greatly expanded and strengthened.

The Foundation has a strong nation-wide support system in the United States which undergirds and reinforces its efforts to strengthen the infrastructure of freedom and democracy in Asia. The Congress, for example, provides opportunities for Foundation grantees from Asia to serve as Congressional Fellows, to gain experience as interns in the offices of the Clerk of the House and the Secretary of the Senate, and for others to study the committee system, the Congressional Budget Office and the operations of the Congressional Research Service. Similar arrangements have been made with a number of State legislatures and municipal governments, providing Asians with practical learning experiences in American democracy-in-action.

Members of the U.S. Federal Court system and State Courts give generously of their time and advice to Asian Foundation visiting judges, prosecuting attornies and defense lawyers. The Justice Department, the Federal Judicial Center, the American Bar Association, law schools and various centers for continuing legal education throughout the United States are also cooperating with the Foundation.

At the private level, the Foundation draws heavily on its network of cooperating private American organizations for help in programming

Asian visitors, for accepting interns, and for providing professional advice and services to Asia Foundation-funded counterpart organizations in Asia. These active partners include American universities and colleges, think-tanks, voluntary organizations, corporations, banks and chambers of commerce. As a result of this cooperation these and other American private institutions are making important contributions to the growth of democracy in Asia, with the Foundation serving as the facilitator.

In looking to the future the Foundation sees many new opportunities to work with Asians to further strengthen democracy in Asia. It also sees limitations on what it can do. It can accomplish little if there is no serious commitment to democratic development on the part of host governments. Low levels of literacy and low levels of economic development are also important impediments to self-government and democratic growth. The Foundation is also limited by its status as a foreign organization, and it must continue to exercise at all times discretion and sound judgement in knowing what it can and cannot do as a foreign guest.

Despite these limitations and cautions the Foundation's Representatives in East, Southeast and South Asia report a rising political consciousness, a growing commitment to democracy and individual freedom, a heightened interest in elections, political parties and representative government on the part of Asia's new generation of young leaders. They also note the move toward a greater reliance on private enterprise and open markets and away from nationalization and central economic planning. The emergence of a wide array of new or strengthened private sector organizations leading to more pluralism and decentralization of power is also a strong positive development.

These favorable situations do not prevail uniformly across the face of Asia, and democracy is still practiced in form more than in substance in several Asian countries. Nevertheless, there is a powerful call for more rather than less democracy in Asia today. Where these democratic aspirations coincide with American ideals, and where the Foundation's help is genuinely sought, it would like to be in a position to respond quickly and flexibly with the minimum of red-tape consistent with the responsible management of public funds.

The Foundation's ability to do so is limited only by its financial resources. Thanks to the Congress the Foundation's base level of public support has been substantially increased over the level to which it had been permitted to fall. Yet at the current year's authorization level of $10,000,000, the Foundation remains under-funded and under-utilized in the judgement of many, given the enormous geographic area covered by the Foundation and the political urgency of some of the needs which the Foundation is in a position to meet. From a cost/benefit point of view, the USG could greatly maximize the return on the investment it has already made in the Foundation and its in-place infrastructure, if it were to raise the Foundation's current funding to previous year levels in constant dollars.

With additional funds the Foundation could respond to needs and requests for assistance in countries which are in critical stages of political transition with important consequences for the United States. The Foundation, for example, is uniquely capable of taking advantage of some highly important opportunities which are open to it in The Philippines, opportunities which might not last forever. These opportunities include working with highly motivated Philippine citizen-leaders who are committed to saving democracy in that country; who stand for free elections, who work to strengthen the role of the national parliament, who call for a more independent judiciary, and who believe in equal access and justice under the law. The Foundation is also helping those who seek peaceful change and an orderly succession of power in The Philippines, and who support the people's yearning for participatory, responsible and responsive government as a democratic alternative to totalitarianism of the right and the extreme left. The urgency of the situation is compounded by the ideological struggle and the spreading militarization of the conflict now taking place in many communities in the countryside. Clearly time is of the essence in giving those who stand for democracy in The Philippines hope for the future.

The Foundation has similar opportunities in other countries with rising democratic expectations, such as Korea and Thailand. They too are in transition stages with much riding on the direction political development will take in these countries in the months and years ahead. With additional funds the Foundation could expand its open, just and democratic societies program in these two countries and others as well. Still more challenges lie ahead. For example, the Foundation is prepared to:

- Move to counter the Soviet book offensive in Asia by significantly increasing the flow of American books and journals and ideas to Asia.
- Help strengthen the linkages between Asian centers of strategic studies and their American counterparts.
- Further advance the protection of human rights in quiet ways by working through the courts and through the network of Asian private human rights organizations.
- Respond to invitations to explore the advantages of reopening contacts and programming with Burma and Laos and possibly India.

- Support American initiatives to protect and further U.S. interests in greater Pacific Basin Economic Cooperation and more mutually beneficial trade and investment opportunities.
- Concentrate on assisting Asia's new rising generation of intellectual, political, social and cultural leaders who will be in positions of power at the beginning of the 21st Century.

Regretably, the Foundation will not be able to capitalize on these opportunities within the limits of the general grant being requested by the Administration for FY 1986 and FY 1987. The Foundation is well aware of the budgetary constraints under which the Administration and this Committee are operating. It only wishes to state that it cannot be expected to do more with less. The request and the authorization of $10,000,000 for the Foundation for the current fiscal year did.not include any increase in funds to accomodate for inflation in the U.S. and rising costs in Asia. Unfortunately, the Administration's request for FY1986 and FY 1987 again fails to add funds for inflation above the $10,000,000 floor. Thus the Foundation's general grant in real value continues to decline. If an average inflation factor had been added for FY 1985 and for the next two fiscal years, the Foundation's general grant would be closer to $11,000,000 for FY 1986 and $11,500,000 for FY 1987.

Given the above, while greatly appreciative of the need to hold down federal spending, the Foundation would be grateful if this Committee would give sympathetic consideration to increasing the Foundation's appropriation for FY 1986 to a level which would at least keep it even with rising costs and expenses.

In conclusion, Mr. Chairman, the Foundation is much in debt to the Congress for the passage of The Asia Foundation Act of 1984. As a result of the Congress's intervention, the Foundation is in an unusually strong position to continue its pioneering role in furthering freedom and democracy throughout Asia. The Foundation appreciates the endorsement it has received from the Department of State in regard to this matter and its continuing support and cooperation. Finally, the Foundation wishes to thank this Committee for the special interest it has taken in the Foundation's work and for the vital support which it has received from the Congress over the past few years.

SUBMITTED QUESTIONS

Senator LAXALT. There will be written questions submitted, I am sure, by the remaining members of the subcommittee.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR PAUL LAXALT

Security Supplemental

QUESTION: Mr. Secretary, before the bombing of the Embassy Annex in East Beirut last September, the State Department's security programs were criticized by a number of sources. Since that time, the same sources have commented that the situation is improving. You currently have before this Committee a security supplemental request for this fiscal year and a number of security enhancements in the fiscal year 1985 budget.

Would you please outline what you have done in the last 6 months to get a handle on the security problems you face and describe your future plans in this area?

ANSWER: The following is an outline of what we have done the last six months to improve the security posture of our overseas missions and personnel:

Recent Management Initiatives:

-- The Secretary, when in Washington, holds daily meetings on the Department's security concerns. When the Secretary is not in Washington, the Deputy Secretary or the Under Secretary for Political Affairs chairs the meeting.

-- The name of the Bureau of Adminitration was changed to the Bureau of Administration and Security effective January 22. The name change emphasizes the importance of security matters for Department managers at all levels and reflects the much larger role security issues and operations have assumed in the Department.

-- We have clarified the security chain of command both overseas and in Washington to reflect both responsibility and accountability for security matters.

-- The Department has consolidated responsibility for physical security improvements overseas. Funding approval, technical expertise, and management functions are now carried out by the Physical Security Division of the Office of Security. Larger security upgrade projects are being performed from start to finish on a turnkey basis. The procurement process for security upgrade projects has been accelerated.

-- Inter-agency coordination is being formally addressed through the establishment of the Overseas Security Policy Group. This group, chaired by the Principal Deputy Assistant Secretary for Security, is composed of the Directors of Security of eight U.S. agencies having a significant presence overseas. This body addresses broad security policy issues and serves as a focal point for inter-agency security activities. The group has recently approved new policies on residential security, emergency communications and procedural security.

-- The Secretary created the Overseas Security Advisory Council (OSAC) to promote cooperation and coordination between American businesses overseas and State Department on security concerns and programs.

Major Physical Security Responses:

The Security Supplemental is urgently needed and provides significant resources to upgrade the physical security of our most highly threatened posts. We have taken the following actions to improve the security posture of our embassies:

-- All foreign service posts have been asked to review their security posture.

-- Inter-agency teams of security experts travelled to 23 high-threat posts to evaluate and recommend immediate perimeter security improvements. These improvements have been implemented.

-- A self-contained turnkey approach to the long-term perimeter improvements at 37 posts has been instituted. Led by A/SY representatives, nine pre-qualified firms are currently conducting surveys of these posts. Construction should begin by summer 1985.

-- Since October 1984, over 1400 requests have been received for short-term improvements. Of these, over 1000 have been approved and funded. Approximately 110 have been denied after consultation with appropriate offices in the Department. The remaining requests are still under review or require additional data from overseas posts.

-- The Department is evaluating new technologies and test procedures for physical security systems.

-- The Department has developed minimum physical security standards for internal and perimeter protection.

-- The Department has developed site selection standards for new office buildings.

-- The Department has implemented a contract maintenance program for security equipment being installed overseas.

Expansion of Armored Vehicle Program:

-- 60 new fully armored vehicles have been ordered for delivery to overseas posts by the fall 1985.

-- We plan to assign a fully armored vehicle to every Ambassador and Principal Officer at all high threat posts.

Implementation of New Security Concepts:

-- Mobile security training teams have been established to train American and foreign national security personnel in antiterrorist tactics such as protection, defensive driving and hostage survival.

-- The Department has created a domestic-based emergency response team to investigate terrorist incidents and to provide interim RSO coverage or to augment RSO coverage.

-- Security Operations Officers are being assigned to assist the Associate Directors of Security in emergency planning and evacuations, conducting sensitive investigations, providing emergency and interim RSO support.

Question:

I see that you intend to repair the Embassy annex building in Beirut. Given the security situation in that country, why are we still there? How effective of a job are our people doing under what must be incredible bunker-like conditions?

Answer:

The real question is whether the danger, weighed against U.S. foreign policy interests, constitutes an acceptable risk. Successive administrations have determined that it does, despite the serious threat that has been present for almost a decade.

Lebanon remains an important country for the United States. What happens in Lebanon can substantially affect U.S. policies and positions throughout the Middle East, as well as our relationship with Israel, and the wider prospects for the peace process, anti-terrorism efforts and general stability in the region. We therefore have important interests in Lebanon.

Safeguarding these interests means maintaining an effective diplomatic mission in Lebanon even in the face of the continuing terrorist threats. To know what is happening in Lebanon and to influence it in a positive direction requires an effective mission making the best possible use of our limited human and material resources.

Closure of our Embassy in Beirut would also send a clear message to the terrorists that their tactics pay off. It would only encourage them to step up attacks on U.S. personnel and facilities in other areas.

Lebanon is a moderate Arab country with traditionally close relations with the U.S. U.S. support for Lebanon's efforts to reassert its sovereignty and to restore order is an essential feature of U.S. policy.

The effective pursuit of our objectives depends on our willingness to devote the resources needed to achieve our goals, as well as our willingness to confront the risks inherent in maintaining the kind of tangible presence essential to advancing our long-term interests. We do our best to provide as much protection as possible, assess the terrorist threats on a continuing basis, and continue representing U.S. interests in Lebanon as in other countries.

We believe our personnel are doing a superb job under very difficult conditions.

Embassy Security

Question: Do you ever foresee a circumstance when the U.S. would leave a country purely for security reasons? If so, what are they?

Answer: We rely on the host country to provide security and protection for our personnel and facilities overseas. This host-country obligation is clearly stipulated in the Vienna Conventions. If a host country were to make it clear to us that they were no longer willing to honor these obligations and, in fact, were actively contributing to our security problem, we would consider withdrawing our personnel for security reasons.

Heritage Foundation Report

Question: Last July the Heritage Foundation issued a report entitled "Making the State Department Work Better." That report called for a massive restructuring of the Department including abolishing the geographic bureaus. What are your thoughts on that report?

Answer: We think that, essentially, the Heritage Foundation's recommendation arises from its desire to make the Department more responsive to the President's will, as well as to reduce what it called "chronic overstaffing."

In our judgment, however, the Foundation's recommendation to abolish the regional bureaus would neither enhance Departmental responsiveness to the President's will nor save staff and would create a major paperwork bottleneck in the process. This is because:

--the Regional bureaus are now headed by the President's nominees. In fact, four of the five are presently non-career officials. Ample means exist for exertion of presidential control of foreign policy.

--The Foundation's idea does not specify how this proposed consolidation would save staff. In fact, we doubt that there would be savings: The work of dealing with country-specific issues would remain both in terms of bilateral relationships with other nations and of intra-governmental coordination. Staffing in the regional bureaus is lean now relative to the workload.

--The Foundation proposal, if implemented, would likely create a major paperwork snarl. Clearance procedures in the Department are already cumbersome, and if information and decision memoranda destined for the Secretary were forced through the narrow bottleneck of, for example, an Undersecretary for Political Affairs, the Department's decision-making apparatus would be adversely affected.

Nicaragua

Question:

According to your justification, in 1986 you will continue our mission in Managua, Nicaragua. What official diplomatic efforts are you undertaking to make the government there more open and responsive to its people and peaceful in the region?

Answer:

The Administration has consistently used diplomacy to address the serious concerns that we and Nicaragua's neighbors have about Sandinista policies of repression and destabilization. We made two major bilateral proposals to Nicaragua in 1981 and 1982; unfortunately, the Sandinistas made no substantive response. We have also supported regional diplomatic efforts--including Contadora--and have continued high-level contacts with the Nicaraguan Government. As part of our effort to support the Contadora process, we engaged in a series of nine high-level talks in 1984 with the Sandinistas in Manzanillo, Mexico. More recently, on April 4 the President announced a Central American Peace Initiative to support talks between the Sandinistas and the Nicaragua opposition. We hope that the Sandinistas will consider carefully this opportunity to resolve the Nicaraguan conflict through peaceful means.

Question:

Do you have any hope these efforts will achieve success without the help of aid to the freedom fighters?

Answer:

We have made clear that the armed opposition needs and deserves our support in its efforts to achieve the liberty and freedom promised following the overthrow of Somoza. We believe that the existence of an armed, internal opposition in Nicaragua is a major incentive to the Sandinistas to negotiate. The record shows that in the absence of the pressure provided by the opposition the Sandinistas ignore the legitimate concerns of its neighbors and the Nicaraguan people.

Question:

How much freedom of movement do your people have in Nicaragua?

Answer:

Our freedom of movement is relatively good. The Nicaraguan Government does requires all persons travelling to the Atlantic Coast to obtain special written permission; Embassy officers have obtained this in the past.

Question:

Is the security risk high in Nicaragua for State Department employees? For any American?

Answer:

The threat to United States Embassy personnel in Nicaragua is serious, but not critical. There is a significant level of political instability as well as indicators which point to future political instability and violence. We view the

Nicaraguan Government's ability to protect American personnel as questionable. The crime rate is high, but not critical. Private American citizens face little danger in the major cities and towns, but those travelling or working in areas closer to the scene of clashes between the army and the opposition are in greater danger. We have urged American citizens travelling in Nicaragua to use caution in visiting such areas and to travel only on major roads during daylight hours.

Bureau of International Narcotics Matters (INM)
Department of State

Question:

The organized drug trade in South America has increased the danger to our missions there. What are your recommendations on how to fight this trafficking?

Answer:

The Department set forth its strategy for international narcotics control in South America, and other global regions, in the International Narcotics Control Strategy Report, submitted to Congress on February 14, 1985. The INCSR projects the following actions occurring now and in future years:

> Continuation of the aerial herbicide cannabis eradication program in Colombia which in 1985 could destroy as much as three-quarters of the crop, while also initiating a new herbicidal coca eradication program, which last year destroyed more than 50 narcotics laboratories. Colombian police also staged more than 1,500 raids and arrested 1,425 persons. Four of these traffickers were extradited to the United States for trial, an effective psychological weapon in the narcotics campaign because of the traffickers' fear of being tried in our courts.
>
> We think these impressive actions by the Government of Colombia have established a solid beachhead for narcotics control in South America and we are currently considering proposals for expanding that beachhead. The proposals include positioning Colombia as the keystone of an enhanced control strategy and increasing Colombia's strike force capabilities to target major trafficking organizations.
>
> We are projecting that the coca eradication program in the upper Huallaga Valley of Peru will destroy as much as 6,000 hectares in 1985, compared to 3,100 in 1984, when the control program workers were under constant threat of violence by narcotics traffickers and/or terrorists. Nineteen of the workers were killed last year. The eradication effort in the UHV is made more feasible by a companion rural development assistance program funded by AID. While there is much more to be done, we are laying plans for additional control projects in southern Peru.
>
> Bolivia remains our major disappointment in Latin America, but both the mobile police and special rural police detachments trained with State Department resources moved

into place in early February, and are beginning the all important prerequisite of establishing law and order in the growing areas.

Question:

Is there anything this Committee can do with its combined jurisdiction over the Justice and State Departments?

Answer:

No. The Department has received good support for its annual appropriations requests from both the Laxalt Subcommittees (which reviews certain International Narcotic Matters staff positions) and the Kasten Subcommittee, (which reviews positions and funds in the Foreign Assistance Act for the Department's overall International Narcotics program).

Question:

How would you describe the cooperation between State and Justice in the field? In Washington?

Answer:

There is an extensive relationship with Justice, involving the Attorney General and other senior officials, the Criminal Division, the Drug Enforcement Administration, and the FBI on the one hand, and International Narcotic Matters Bureau, Legal Affairs Office, and other bureaus within State.

We consider this an excellent relationship, at all levels, here and in the field -- a relationship which has improved very much during the last two to three years -- a relationship on which we continue to build.

Lebanon: UNIFIL

Q. For three years, the United Nations Interim Force in Lebanon (UNIFIL) has been behind Israeli lines and has been primarily bystanders. What role will UNIFIL have, if any, when Israel completes its withdrawal? Do you believe UNIFIL will again serve an effective role in the Middle East?

A. Peace and security in southern Lebanon are crucial to attainment of our fundamental goals of peace in the Middle East. We believe that UNIFIL contributes to that end, and that it could do much more. We recognize, as do the troop contributors, that a more meaningful role for UNIFIL must soon be found. We are determined to pursue that role.

Intensive discussions are now underway among the parties to the dispute in southern Lebanon and the United Nations. The current mandate of UNIFIL was extended by the Security Council on April 19, for a six month period ending October 19. It is important to keep UNIFIL in being, against the day when it can carry out more important peacekeeping activities in southern Lebanon. We believe that any reversal by the USG of its longstanding support of UNIFIL would gravely undermine prospects for promoting stability in southern Lebanon, and in the region. The USG is determined to make every effort with all concerned parties to find a more effective role for UNIFIL this year.

Security Supplemental

QUESTION: Unfortunately, with the security situation in our own country, more and more foreign visitors require protection. Currently, the responsibility for protective services is fragmented, leading to irrational results. For example, some members of the same delegation may receive Secret Service protection while others of the same delegation are covered by your Office of Security.

-- Do you agree this is a problem?

-- Do you recommend centralizing this responsibility in one place?

-- If so, where?

ANSWER: There is a division of dignitary protection roles between the State Department's Office of Security and the Secret Service. The Secret Service protects visiting chiefs of state and heads of government, while accompanying family members and other dignitaries are protected by A/SY.

The Secret Service and A/SY cooperate on dignitary protection. This cooperation was most evident during the Economic Summit Conference in Williamsburg in May 1983 and again during the 1984 Summer Olympics in Los Angeles. Limited agent resources in both agencies make it essential for the spirit of cooperation to continue.

It would be logical for one agency to provide protective services for the visiting chiefs of state, heads of government and accompanying family members, and other foreign dignitaries. We feel that it is logical that the Uniform United States Secret Service should do this. However, if they do not provide protective services, the Department is willing to assume this centralized responsibility. This increased workload would, of course, require additional manpower. The Department has a stake in accommodating foreign government requests for dignitary protection in the U.S. This is in large part due to the very real need for reciprocity to ensure the continued protection of our establishments and personnel overseas.

1. Q. Recently, the President restored relations with Iraq. Why was that done at this time?

A. Since Iraq and other Arab countries broke relations with the U.S. during the June, 1967, Arab-Israeli war, the U.S.

has stated that it would be prepared to resume diplomatic relations when those countries would decide to do so. Iraq was the last of those countries to resume relations with the U.S. Meanwhile, contacts were maintained through Interests Sections in each capital. The Iraqi Government announced in 1982 that it had decided in 1980 to reestablish relations, and since 1980 the Iraqi-U.S. dialogue had begun to improve in level and tone. However, the war with Iran intervened, and Iraqi leaders said they could not implement the 1980 decision because it could be misinterpreted as an attempt to secure U.S. support in the war. By mid-1983, Iraq had stabilized the battlefront essentially along the international boundary. In late 1984, Iraq evidently concluded that it could proceed without this step being misconstrued. No inducements or commitments by either side were involved.

We welcomed the Iraqi decision to normalize relations as a positive development for U.S. interests in the stability of the region. All our friends in the region, including Israel, similarly welcomed this development. Resumption of relations portends no changes in U.S. neutrality in the Iran-Iraq War or in U.S. relations with other states in the region, including Israel.

2. Q. Obviously, the Iranian government will read this action as an overt sign of American support for Iraq in the Gulf War. Does this increase the danger of Iranian terrorist attacks on Americans throughout the world?

A. We have stated publicly that our resumption of relations with Iraq does not change our neutrality in the Iran-Iraq War. We have not licensed and will not license U.S. arms exports to either side, either directly or through third countries. We have called for an immediate ceasefire and negotiated settlement of the Iran-Iraq conflict since the war broke out in September 1980. Because Iraq now seeks an end to the war while Iran intransigently rejects peace, we have supported diplomatic efforts to halt the export of Western arms to Iran in order to encourage it to accept a ceasefire and negotiations. We have also imposed additional controls on U.S. exports to Iran for this reason and to discourage its support for international terrorism.

The President and Secretary Shultz have made clear that U.S. foreign policy will not be dictated by terrorists or the states that support them. Iraq's policies and practices have undergone a major change and it no longer supports terrorists, as it once did. Unfortunately, Iran does provide active support for terrorists.

3. Q. How far will the U.S. go to help its new friends if the war turns against Iraq?

A. The U.S. does not intend to take sides in this war. We are prepared to come to the assistance of the states of the Gulf Cooperation Council in the defense of mutual interests, such as the security of free world energy supplies, if any of them so request in a particular emergency.

4. Q. In general, what do you believe will happen in that war in the future?

A. Unfortunately, no early end to that tragic and dangerous war is in sight. In the current soft oil market, the war has not yet significantly disrupted world energy supplies or the stability of neighboring states. However, the war presents a continuing possibility of escalation or expansion, or, ultimately, of a defeat of either Iraq or Iran. The probability and timing of such results are incalculable. Nonetheless, it is clear that escalation or expansion of the war or the collapse of either country could threaten our interests in the stability and security of friendly states in the region and the reliable flow of oil to the free world from the Gulf.

Question: Two years ago, in response to a question asked by this Committee, you explained your opposition to having a summit meeting between the President and then Soviet Premier Andropov unless there was a good prospect of an important and significant outcome. You opposed what you called a "getting to know you" summit. What has changed so that you now support a summit? Do you foresee an important and significant outcome coming from a summit?

Answer: The big difference between the current situation and earlier testimony is, of course, the change in leadership in the Soviet Union. The President believes that with the accession of Mr. Gorbachev we now have an opportunity to consider US-Soviet relations in a longer-term perspective. The President has just been re-elected and we have a clear policy in place for dealing with the Soviet Union. The Soviet Union, for its part, now has a leader who will be likely to be on the scene for some time. We also have serious discussions underway with the Soviets on a variety of topics, including the Nuclear and Space Arms talks in Geneva.

We are painfully aware, as the killing of Major Nicholson demonstrated, that the Soviets are likely to do things we find repugnant to our values and threatening to our interests. As a result we have no illusions that a new era of cooperation automatically will accompany the Soviet leadership change.

Nevertheless, we believe that a high-level exchange of views at this time would enable us to address specific problems. The nature of the possible outcomes of such a summit meeting would depend on the circumstances in which the meeting was held, and Soviet willingness to take a constructive approach to the full range of issues on the US-Soviet agenda.

RELATIONS WITH THE PRC

Q: Two years ago, we discussed our then expanding efforts in the People's Republic of China. How would you assess our relations with the PRC now and what are your projections for the future?

A: We consider China to be a friendly, non-allied nation. Our aim is to build an enduring relationship with China on this basis, one which takes fully into account our common interests as well as our differences. In our view, a strong, secure and successfully modernizing China can be a force for peace and stability in Asia and in the world. We consider our current relations with China to be excellent, and we foresee further development on the principle of mutual interest.

China's emphasis on economic modernization -- an emphasis which is bearing fruit -- gives Beijing a strong stake in a stable and secure international environment and dictates that it pursue policies of domestic and external moderation. Indeed, over the past several years, China has embarked on an effort to improve state-to-state relations with all its Asian neighbors -- excluding Vietnam, of course. This is very much in our larger strategic interest, and the success of these policies to date bodes well for policy continuity in China even after the current leadership passes from the scene.

We must also recognize that China's future mix of policies will in some degree be influenced by our own. Thus, on the principles of mutual benefit and safeguarding our own national security, we have liberalized our export restrictions and begun a dialogue concerning modernization of China's defense capability. We hope, and anticipate, that this approach will not only reassure China regarding our own long-term friendly intentions but will give China incentives to continue along the pragmatic, moderate, and outward-looking modernization course it has charted.

Question: With the terrible security problems you face overseas, why are you requesting funding to send more reporting and analysis officers out?

Answer: Reporting and analysis is the core function of the Foreign Service overseas. It is true that today's security problems place an enormous added burden on our people. But the dangers imposed by terrorism cannot be allowed to deter us from carrying out responsibilities of importance to U.S. national interests. There have always been hardships and even privations associated with a foreign service career. Obviously they are now great.

While we are indeed taking measures to better protect our people and facilities, we are not isolating our personnel. Except in extraordinary circumstances like Beirut, our staffs continue to carry out their responsibilities. Political officers meet with local officials and political leaders and economic officers analyze and report on financial and economic developments.

Question: What mechanisms are in place to control the number of people that are sent overseas from all government agencies?

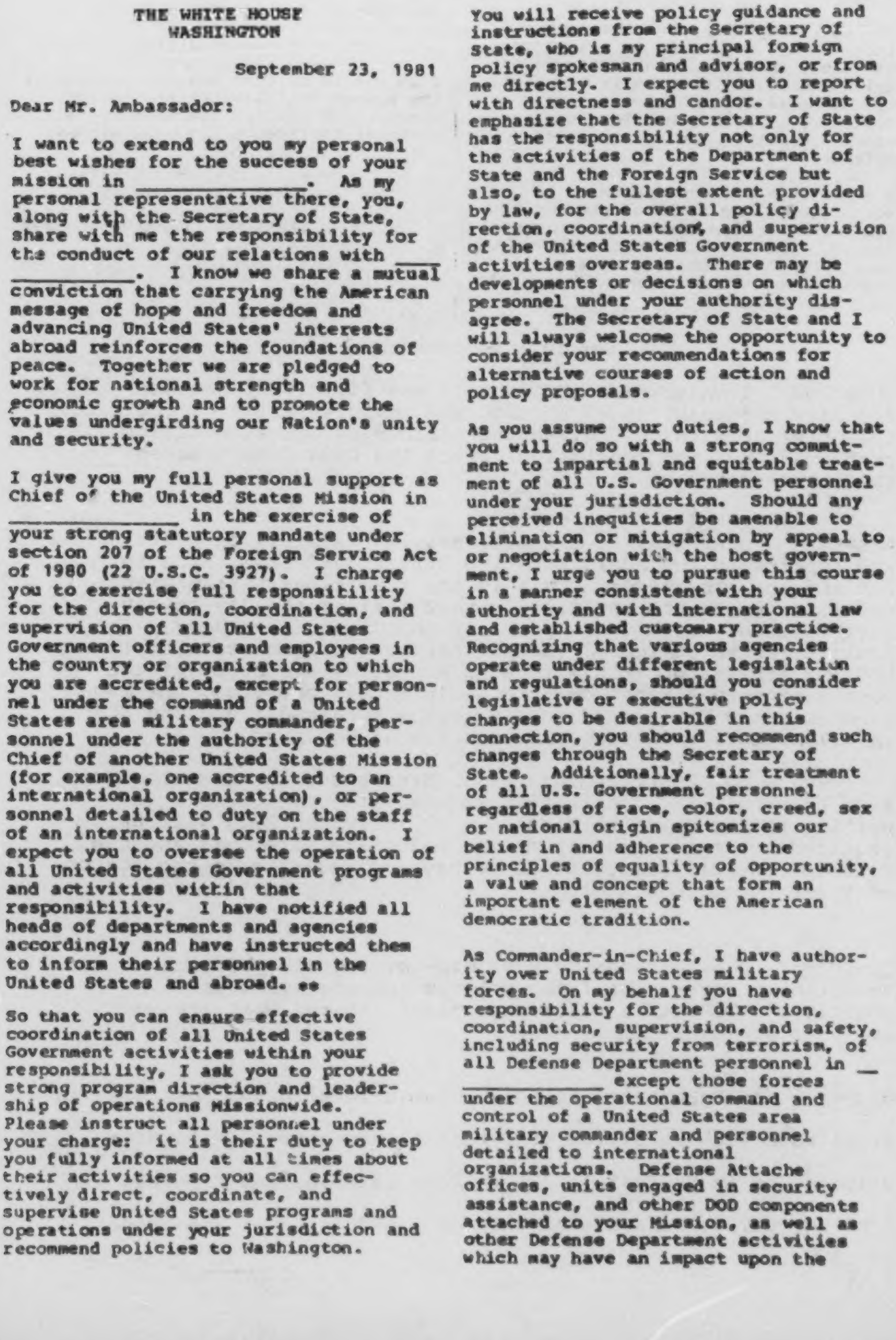
Answer: Control of the number of US Government employees overseas rests with Chiefs of Mission in their capacity as personal representatives of the President, not as Department of State employees, in accordance with President Reagan's letter to Chiefs of Mission transmitted to all heads of Executive Departments and Agencies on September 22, 1981 (copy attached).

National Security Decision Directive (NSDD) Number 38 on "Staffing at Diplomatic Missions and Their Constituent Posts", signed by the President on June 2, 1982, provides that ambassadorial approval must be sought and obtained by agencies, in consultation with the State Department, for any changes in the size, composition, or mandate of staffs operating under their authority. Formal acknowledgement of these changes are to be transmitted by the Department. The Department of State's only role in this process is one of coordination and record-keeping.

Overseas position ceilings formerly levied upon each agency to control the total number of US Government employees assigned overseas were eliminated by NSDD 38. It was determined that tight overall budget and FTE (employment) ceilings would restrain spending and staffing.

Attachment:

As stated.



THE WHITE HOUSE
WASHINGTON

September 23, 1981

Dear Mr. Ambassador:

I want to extend to you my personal best wishes for the success of your mission in ______________. As my personal representative there, you, along with the Secretary of State, share with me the responsibility for the conduct of our relations with ______________. I know we share a mutual conviction that carrying the American message of hope and freedom and advancing United States' interests abroad reinforces the foundations of peace. Together we are pledged to work for national strength and economic growth and to promote the values undergirding our Nation's unity and security.

I give you my full personal support as Chief of the United States Mission in ______________ in the exercise of your strong statutory mandate under section 207 of the Foreign Service Act of 1980 (22 U.S.C. 3927). I charge you to exercise full responsibility for the direction, coordination, and supervision of all United States Government officers and employees in the country or organization to which you are accredited, except for personnel under the command of a United States area military commander, personnel under the authority of the Chief of another United States Mission (for example, one accredited to an international organization), or personnel detailed to duty on the staff of an international organization. I expect you to oversee the operation of all United States Government programs and activities within that responsibility. I have notified all heads of departments and agencies accordingly and have instructed them to inform their personnel in the United States and abroad.

So that you can ensure effective coordination of all United States Government activities within your responsibility, I ask you to provide strong program direction and leadership of operations Missionwide. Please instruct all personnel under your charge: it is their duty to keep you fully informed at all times about their activities so you can effectively direct, coordinate, and supervise United States programs and operations under your jurisdiction and recommend policies to Washington.

You will receive policy guidance and instructions from the Secretary of State, who is my principal foreign policy spokesman and advisor, or from me directly. I expect you to report with directness and candor. I want to emphasize that the Secretary of State has the responsibility not only for the activities of the Department of State and the Foreign Service but also, to the fullest extent provided by law, for the overall policy direction, coordination, and supervision of the United States Government activities overseas. There may be developments or decisions on which personnel under your authority disagree. The Secretary of State and I will always welcome the opportunity to consider your recommendations for alternative courses of action and policy proposals.

As you assume your duties, I know that you will do so with a strong commitment to impartial and equitable treatment of all U.S. Government personnel under your jurisdiction. Should any perceived inequities be amenable to elimination or mitigation by appeal to or negotiation with the host government, I urge you to pursue this course in a manner consistent with your authority and with international law and established customary practice. Recognizing that various agencies operate under different legislation and regulations, should you consider legislative or executive policy changes to be desirable in this connection, you should recommend such changes through the Secretary of State. Additionally, fair treatment of all U.S. Government personnel regardless of race, color, creed, sex or national origin epitomizes our belief in and adherence to the principles of equality of opportunity, a value and concept that form an important element of the American democratic tradition.

As Commander-in-Chief, I have authority over United States military forces. On my behalf you have responsibility for the direction, coordination, supervision, and safety, including security from terrorism, of all Defense Department personnel in ______________ except those forces under the operational command and control of a United States area military commander and personnel detailed to international organizations. Defense Attache offices, units engaged in security assistance, and other DOD components attached to your Mission, as well as other Defense Department activities which may have an impact upon the conduct of our diplomatic relations with ______________ fall within your responsibility.

It is imperative that you maintain close relations with concerned United States area military commanders and Chiefs of Mission accredited to international organizations. A copy of this letter is being disseminated to them.

You must keep each other currently informed and cooperate on all matters of mutual interest. Any differences which cannot be resolved in the field should be reported by you to the Secretary of State; unified commanders should report to the Secretary of Defense.

I expect the highest standards of professional and personal conduct from all United States Government personnel abroad. You have the authority and my full support to take any action required to ensure the maintenance of such standards. **

Your mission is to protect and advance the United States' interests abroad, and you will receive the resources necessary to accomplish that mission. At the same time, I expect that these resources will be used in an effective and efficient manner, and that they will be directly and carefully related to priority policy and program activities. You should inform the Secretary of State when you believe that staffing of any agency is either inadequate or excessive to the performance of essential functions.

I am confident that you will represent the United States with imagination, energy, and skill. You have my full personal confidence and best wishes.

Sincerely,

(Signed) RONALD REAGAN**

Security Supplemental

QUESTION: I understand that out in the field your regional security officers report through the administrative officers to the Chief of Mission. Given the serious nature of security problems, have you considered giving the RSOs direct access to the Ambassadors?

ANSWER: Currently at the overwhelming majority of posts, the RSO reports to the Administrative Officer and from there to the DCM and the Ambassador. This is the traditional arrangement and is based on the recognition that most of the day-to-day activities of the RSO are properly coordinated by the Administrative Officer. The RSO has regular contact with the DCM and Ambassador in his role as Executive Secretary of the post Emergency Action Committee. In actual practice, the RSO generally has unhindered access to the Ambassador and the DCM on all matters affecting the security of the post.

The Under Secretary for Management has also required RSOs to submit all substantive security recommendations in writing to the Chief of Mission. In addition, RSOs will be required to report monthly to the Associate Directors and the Principal Deputy Assistant Secretary for Security on the status of these recommendations.

Question: Please describe your mid-level grade position reduction program. Will the program include overseas positions? Is this a multi-year plan? If so, what are your out-year projections?

Answer: The Department is reducing mid-level grade positions in compliance with an Office of Personnel Management initiative stipulating an FY 1985 $1.134 million Salaries and Expenses funding cut, to be achieved through a reduction of mid-grade position levels. The Department has met the target for this fiscal year but may not be able to do so in the future.

A more important reason for these cuts is to restore better balance to our position structure. A series of forced position cuts over the years had been concentrated at lower grades, resulting in a severe lack of training positions. The Department has recognized this anomaly, and is downgrading 183 mid-level positions, both in Washington and abroad, in order to create new positions at the junior level. These positions will be used to provide greater professional development opportunities for junior officers, but especially for political and economic officers.

The fact that these Department and OPM initiatives coincided this fiscal year is no guarantee that the Department will be able to meet OPM goals of even greater magnitude over the next four years. To the contrary, we believe the realignment now underway will bring our position structure very closely into accord with our needs. Further reductions could jeopardize the Department's ability to carry out its responsibilities.

Question: Isn't the Department's real personnel problem underutilization of senior officers? If so, what are you doing to solve the problem?

Answer: The Department has had as many as 60 to 75 senior officers without full tour assignments in recent years. Most of these officers have been in "overcomplement" status for about 4 to 10 months. Currently, about 30 senior officers are in that status.

We anticipate that this surplus phenomenon, though now abating, will likely continue for the next year or so until there is a more substantial outflow from retirements and from the shorter time-in-class provisions for senior officers first applied in June, 1984. In the meantime we are limiting the number of "stretch assignments", whereby mid-level officers are assigned to senior positions. We plan to promote fewer officers into the senior ranks than we normally do. Also, the Department has re-established an office to assist officers contemplating retirement, both mandatory and voluntary, in locating non-government employment opportunities.

It should also be noted that these overcomplement officers have been gainfully employed while in surplus status. They have carried out a wide variety of short-term projects which the Department's bureaus have been unable to accomplish with their regular personnel. Examples of such duties are serving with the Board of Examiners of the Foreign Service, representing a regional bureau during the UN General Assembly, and working on special task forces.

Office of Communications

Question: Please describe some of the improved efficiencies in overseas pouch operations and management of administrative support activities that will allow you to save $1,440,000.

Answer: The $1,440,000 is the Department's best estimate, at this time, of savings to be achieved by productivity improvements in the Department's pouch operation and administrative support activities. Savings identified with the pouch operation total $600,000. A vendor has been selected to study this operation in the interest of A-76. The study is expected to commence in May 1985. Upon its completion we will be in a better position to more specifically answer your question. Savings related to administrative support activities total $840,000 and represent FSN administrative positions in the European bureau.

Workload Absorptions

Question:

Is the Committee's understanding clear that you are requesting no increases in positions overseas for consular, communications or administrative duties?

Answer:

No, not exactly. While the Department is not requesting positions related to overseas consular or administrative duties, included in the FY 1986 submission is a request for five overseas communications positions.

In FY 1986, the Department anticipates meeting increases in overseas consular and administrative workloads through productivity improvements and reprogramming of base resources to posts where management improvements can not meet increased workloads. The increase of five overseas communications positions is related to the communications security program.

Record Questions for the State Department
Overview

Question: According to your Budget in Brief, no change in the level of FTS Service is contemplated. Why then are your costs expected to increase almost $2.5 million? Does this indicate the Department has not paid its full costs for FTS in the past? What is your total expected bill for FTS services in FY 1985? 1986?

Answer: The Department's FTS costs are increasing almost $2.5 million in FY 1986 because GSA has changed their billing method to reflect 24 hours of usage, 7 days a week, versus the present 9 hours, 5 days a week. According to GSA, this change will increase the Department's bill by $2,478,900.

The Department's FTS expenses are paid in full through September 30, 1984.

GSA informed us on June 21, 1984 (after submission of the FY 1985 Budget) that they would bill the Department $4,844,200 in FTS charges for FY 1985 based on the new billing method. However, our FTS base is $2,733,800 for FY 1985. We have informed GSA of this situation and do not intend to absorb this higher cost.

The letter of June 21, 1984 indicated that the Department should budget for a FTS bill of $5,212,700 in FY 1986, which we have done.

Office of the Secretary

Question: What are the duties of the Policy Planning Council?

Answer: The Secretary looks to S/P, as the central policy planning mechanism in the Department, to provide him and other seventh-floor principals with substantive analysis, review, advice, and forward thinking, including recommendations and alternative courses of action, on the entire range of U.S. foreign policy concerns. S/P is to monitor the interrelationships between regional and functional issues, analyze the strategic or longer-term consequences of action, and ensure that a full range of policy and strategy options is presented.

S/P, among other duties:

-- identifies gaps in policy, new problem areas, and emerging situations requiring policy attention, and initiates policy planning and formulation to meet these requirements;

-- conducts broad analytical studies of regional or functional issues that impact on several regions and merit an effort to develop broad principles for general application;

-- represents the Department in regularly scheduled bilateral and multilateral policy planning discussions with key allied countries, with NATO's Atlantic Policy Advisory Group, and with other countries as appropriate;

-- assists in the preparation of public addresses and other material for public appearances by the Secretary, the Deputy Secretary, and other principal officers, and coordinates and provides policy guidance on speeches, Congressional statements, and talking points for public occasions; and

-- develops and maintains relations with the academic community and with outside sources of foreign affairs expertise, directly and through supporting policy consultants and policy-oriented external research arrangements.

QUESTION: What are the duties of the Public Diplomacy Office? How do they differ from the Public Affairs Bureau?

ANSWER: The Office of the Special Advisor to the Secretary of State for Public Diplomacy (S/PD) was created in June 1984. The Special Advisor's principal responsibilities are:

-- in all areas except Latin America and the Caribbean, to identify important long-term issues in foreign policy, to develop and coordinate specific public diplomacy strategies and programs to support U.S. objectives;

-- to work with the private sector in developing ways to gain private sector support and cooperation in furthering public acceptance of U.S. policies.

S/PD serves an an advisory office to the Secretary. Its focus is primarily long-range and conceptual, with few day-to-day operational responsibilities. It serves as a "think tank" for public diplomacy initiatives.

In contrast, the Bureau of Public Affairs (PA) is the Department's operational public affairs entity. It is responsible for the full gamut of public affairs planning, activities, and programs. Unlike S/PD's focus on longer-range issues, PA's emphasis is on immediate and middle range issues and objectives.

QUESTION: What are the duties of the Information Management Section? How do they differ from the Information Systems Office?

ANSWER: There is a vast and essential difference between these two offices. The Information Management Section is at the hub of the S/S paperflow operation and is the Secretariat Automated Data Index System (SADI), which has many uses. It is the system used to administratively control all written communications directed to and from the Secretary and other senior principals in the Department. S/S-I is considered an end user since we depend on the Information Systems Office (ISO) which has responsibilty for designing and operating a complete computer data base for the Department with many end users.

The Information Management Section provides an indispensable range of paperwork management activities and related office services to the S area, the White House and most of the Department's susbstantive bureaus.

S/S-I maintains a 24-hour, 7-day week computer-based information and document management system in order to administratively control written material directed to the attention of the Secretary, Deputy Secretary the Under Secretary for Political Affairs, the Under Secretary for Economic Affairs, the Under Secretary for Security Assistance, Science and Technology, the Under Secretary for Management, and the Counselor. More specifically, S/S-I: a) operates the Secretariat Automated Data Index System (SADI), to provide indexing, updating, tracking, and information retrieval services on staff studies and foreign policy communications; b) retrieves and distributes sensitive telegrams and airgrams, utilizes the Department's computer data-based document file systems; c) manages the retention, control and disposition of archieval records of the Executive Secretariat, with emphasis on policy files, review of sensitive documents; d) relocates vital records and compiles Presidential Library material; e) prepares daily and periodic reports on actions taken by, and actions pending for, the principal officers for distribution to and follow-up by the various bureaus; f) types, reproduces, assembles, and distributes a daily summary for the principal officers of telegraphic and intelligence reporting; g) reviews documents requested under the Freedom of Information Act for the removal of sensitive captions and all other captioned materials that was originated in the Office of the Secretary, and other Seventh Floor Principal offices.

The Office of Information Systems (A/ISO) manages the Department's central resource of information systems expertise; plans for the development of information systems on a worldwide basis; is responsible for the operation of the Department's major information systems; represents the Department in information systems matters in dealings with other government agencies; oversees the development and implementation of the Department's unclassified office and central processing information systems at Foreign Service posts; develops information systems policies and standards, coordinating with the Office of Communications concerning that office's responsibilities for telecommunications and classified systems overseas; and maintains appropriate security controls for applications developed, maintained or operated by ISO.

ISO is made up of six organizational units. The main function of the Foreign Affairs Data Processing Center (ISO/FADPC) is the management of the central data processing facility for the Department and the Foreign Service. The Systems Design and Programming Division (ISO/SDP) provides data processing and office automation support to domestic offices primarily in the area of software development and consultation. The User Support Services Staff (ISO/USS manages the Department's unclassified overseas automation program, including developing standard software, and administers the Department's standard data processing and word processing contracts. The three Regional Administrative Management Centers (ISO/RAMC's) located in Bangkok, Mexico City and Paris provide a range of administrative, information systems and management support to their respective geographic regions, including financial services and support of the unclassified overseas automation program.

Oceans and International Environmental and Scientific Affairs

Question: How much do you have budgeted for the Man and the Biosphere Program? How do you assess the effectiveness of that program?

Answer: The Department of State has included in its Salaries and Expenses request for the Bureau of Oceans and International Environmental and Scientific Affairs (OES) $60,000 for the central management of the U.S. national Man and the Biosphere Program (MAB). This maintains the level of core support that State has provided to this interagency program since 1975. Additional funding is provided by other participating U.S. federal agencies on a voluntary basis.

In addition, the President's Foreign Assistance Program budget for FY 1986 includes $500,000 for MAB within a new $2.75 million line item in the International Organizations and Program account for "International Convention and Scientific Organization Contributions". The use of these funds, however, is to be restricted to supporting direct U.S. participation in selected international MAB activities previously financed by UNESCO, and cannot be used by or for the U.S. national MAB program.

At the international level, MAB is one of the most effective of the array of cooperative multilateral science programs. It is widely-known and respected in both developed and developing countries; engages the participation of high quality scientific talent; has been managed well by its Paris-based staff; and has been singularly non-politicized.

With respect to the U.S. national component, MAB continues to provide a unique and effective vehicle for engaging federal and private sector scientists and resource managers in research and information exchange on important, interdisciplinary environmental problems. Over the past three years, however, the impact of the program has been lessened due to reduced funding contributions from participating USG agencies. Consequently, the State Department (through the OES Bureau which manages the program) has been working with currently participating and other USG agencies in an attempt to expand the funding base and to modify the management structure to upgrade the scientific quality of the program.

Office of the Legal Adviser
U.S./Iranian Claims Program

Question: How many people do you have working on the Iranian Claims Program?

Answer: At present the office of the Legal Adviser has 20 full-time permanent positions and 5 part-time, intermittent and temporary employees working on the U.S./Iranian Claims Program.

Question: How many claims were settled in FY 1984?

Answer: In 1984 the total number of U.S. claims settled or disposed of was 64. Of that amount, 45 were large claims i.e., valued at $250,000 or more and 19 were small claims.

Question: How many are still outstanding?

Answer: There are 3,063 claims still pending resolution -- 2,705 small claims and 358 large claims.

Intelligence and Research Positions

Question:

According to your justification, the Bureau of Intelligence and Research had 333 positions in FY 1984, but only 324 in FY 1985 -- a decrease of 9. Now you are requesting an increase of 22 for FY 1986. Why did the number of positions drop in '85?

Answer:

Due to actions by the Department of State to allocate position reductions mandated by the decisions of the House/Senate Conferences on the Department's FY 1984 supplemental and FY 1985 appropriations request, eleven positions were removed from INR's authorization of 333 leaving a total of 322. Subsequently, two positions were allocated to INR from the existing Department complement to increase the INR total to 324.

Bureau of African Affairs

Question: According to your justification, "We have taken a leading role in negotiations designed to bring about the independence of Namibia and the withdrawn of Cuban troops from Angola." What is the status of those two issues? What do you foresee in the near future?

Answer: The United States has been playing an active mediating role in negotiations with South Africa and Angola on a regional settlement. The negotiations entered a new phase last fall when Angola and South Africa made formal negotiating proposals. The proposals accepted a number of common principles, including that the UN independence plan for Namibia, Resolution 435, would be implemented and that Cuban troops would be withdrawn from Angola. Intensive negotiations since then have focused primarily on the issue of timing. Both sides have continued to negotiate seriously, and there has been further progress. We are working for an early agreement, but difficult negotiations still lie ahead.

Office of Multinational Force and Observers

Question: What are the duties of the Office of Multinational Force and Observers?

Answer: The Office of Multinational Force and Observers was established within the Bureau of Near Eastern and South Asian Affairs in March 1982, to provide a single "focal point" in the Executive Branch for liaison with and coordination of U.S. Government support for the Multinational Force and Observers (MFO), an international peacekeeping organization which was created to assist implementation of the Egypt-Israel peace treaty and which is financed equally by Egypt, Israel and the United States. Specific responsibilities of the Office include:

--Overall USG liaison with the MFO. This requires substantive and administrative contacts with MFO and with other parts of the Department of State, with the Department of Defense, and with other USG organizations as appropriate.

--Interagency coordination of USG military personnel and logistic support function for the MFO.

--Coordination of U.S. diplomatic support of efforts by the MFO, Egypt, and Israel concerning participation of other nations in the MFO.

--Coordination of U.S. participation in the MFO with other U.S. activities related to the Arab-Israel peace process.

--Preparation of budget request and justification for USG contribution and of Annual Report to Congress required under Public Law 97-132 authorizing U.S. participation in and support for the MFO.

--Insuring timely payment of USG contribution to MFO and reviewing MFO budget and audit.

--Recruitment, screening and nomination of qualified personnel from STATE, AID, and USIA to serve as observers with the MFO, and provision of administrative and personnel support, including assistance with onward assignments.

The MFO maintains a datafax link directly with the Office of Multinational Force and Observers to speed coordination on this wide variety of issues.

New Consulates in the People's Republic of China

Question: What is the status of the openings of consulates in the People's Republic of China?

Answer: In addition to the Embassy in Beijing, the U.S. now operates three Consulates General in China: Guangzhou, Shanghai, and Shenyang. To reciprocate, we have allowed the Chinese to operate Consulates General in New York, Houston, and San Francisco.

Our Embassy in Beijing and the Chinese Ministry of Foreign Affairs recently agreed that the US can open a Consulate General in Chengdu, in Sichuan Province, any time after September 1, 1985. In return, we will allow the Chinese to open a Consulate General in Chicago. We have also agreed that the US can open a Consulate General in Wuhan, in Hubei Province, any time after May 1, 1986. To reciprocate, we will allow the Chinese to open a Consulate General in Honolulu.

The Council of Europe

Question: What are the functions of the Council of Europe (COE)? Please describe the expanding relations between the U.S. and COE?

Answer: Founded in 1949, the Strasbourg-based Council of Europe (COE) was Europe's first post-war political organization. Delegates from sixteen countries and observers from ten others, attending the May 1948 "Congress of Europe" in The Hague, had called for a united Europe, and in particular for a European Assembly and a Charter and Court of Human Rights. These proposals were developed by the European Movement, an unofficial organization set up after The Hague Congress. They were submitted to the governments of Belgium, France, Luxembourg, the Netherlands, and the United Kingdom that earlier in 1948 had formed the Brussels Treaty Organization.

In March 1949, Denmark, Ireland, Italy, Norway and Sweden were invited to join the Brussels Treaty Organization countries in preparing a constitution for the new organization. On May 5, 1949, ministers from the ten countries met in London to sign the statute of the Council of Europe. There was unanimous agreement that, to symbolize post-war European reconciliation, the new organization should be headquartered in the French Rhineland City of Strasbourg.

Although membership in the Council of Europe has expanded to twenty-one states, the organization's basic objectives remain the same: to work for greater European unity and cooperation, to improve living conditions and develop human values, and to up hold the principles of pluralistic democracy and human rights. Any European country can become a member if it accepts these principles. But should a country cease to abide by them, it can be expelled by the other members.

Traditionally, the main areas of Council of Europe activity have been human rights, legal, economic and social affairs, education, youth, health and environment, and local and regional authorities. Perhaps best known for its unique supranational system of human rights safeguards (the Commission and Court of Human Rights) and it contributions to harmonizing European laws and policies (over 100 inter-governmental conventions), the COE also seeks to promote political consultations and dialogue both within Europe and vis-a-vis the rest of the world.

The United States follows developments in the Council of Europe closely, and has participated in an increasing range of its activities. At the invitation of the COE, the U.S. sends experts or observers to participate in a wide range of inter-governmental meetings and conferences. As the result of this type of participation, the United States signed its first Council of Europe inter-governmental convention (on the repatriation of prisoners in foreign jails) in 1983 and ratified it in 1984. Similarly, members of Congress are regularly invited to participate in the Assembly's annual debate on the activities of the OECD, and ad hoc consultations with visiting Executive Branch officials are always welcomed.

The growing breadth and depth of U.S. interest in and cooperation with the Council of Europe is a reflection of both the COE's increasing initiatives in areas of importance to the U.S., and its openness to participation by non-member democratic states in many if its activities. In addition to facilitating this participation, the United States Consulate General in Strasbourg, which serves as the principal liaison with and unofficial representative to the COE, assists and promotes the development of US/COE relations by regularly representing U.S. interests to and reporting on significant actions and activities of the Council of Europe.

International Organizations

Question:

There have been complaints raised by the US business community that often International Organizations engage in activities that could cause it harm without notification. At the same time, the US Government, as a participant, knows the agendas of those organizations. It has been suggested that IO publish the activities of International Organizations just like domestic agencies, give notice in the Federal Register. What is your opinion of this proposal?

Answer:

The Department believes that, while improvement is always possible, it effectively informs private sector groups of activities underway or foreseen in the UN system that will be of interest or concern to them. In addition to numerous and continuing informal contacts that the Bureau of International Organizations conducts with the private sector, a great deal of information is passed to the private sector through the Advisory Committee on International Investment, Technology and Development, a broad based group which meets regularly to review various issues. Notices of Committee meetings and agendas of the items to be discussed are announced in the Federal Register. The Department does not feel that publication in the Federal Register of agendas for International Organizations would be an effective method for improving our activities in this area. In addition to the time and personnel required to institute such a system for the entire 95 organizations of the UN system, agendas themselves are relatively meaningless without the accompanying, often voluminous, documentation which often is not received until shortly before--and in some cases during and after--the particular meeting. Major meetings and conferences within the UN system are more often than not preceded by public briefing sessions. The Department agrees that public awareness of UN activities is essential and it is making every effort to maintain effective contact with the public at large. Publication of UN agenda in the Federal Register in our opinion would not be an effective method of accomplishing this goal.

Financial Management System

Question:

How much does the Department plan to spend on the Financial Management System (FMS) in FY 1986?

Answer:

The Department plans to spend $7.4 million on the development, installation and maintenance of the domestic and overseas modules of the FMS in FY 1986. This includes $6.5 million for work performed under the FMS contract and $.9 million for salaries and other related expenses.

Medical Services

QUESTION:

According to your justification, your Medical Services cost will go up $2.1 million for "reimbursements for medical care costs formerly covered by the American Foreign Service Protective Association insurance for persons overseas." Please describe this more fully.

ANSWER:

Of the $2.1 million increase request, $1.5 million is attributable to the Department decision to restore the special relationship with the American Foreign Service Protective Association (AFSPA) insurance plan. Essentially, the Department will accept responsibility for paying medical expenses authorized under Section 904 of the Foreign Service Act of 1980 for hospitalization or similar treatment for illness, injury or medical condition which occurs abroad. The Office of Medical Services will pay 100% of such costs in 1986 which is estimated to be $1.5 million.

An additional $453,000 is requested for hospital care and medical supplies and equipment costs which are expected to rise by 15% during the year. Total reimbursements for Workers' Compensation to the Department of Labor for compensatory payments will increase by $80,000 in 1985.

Administration

Question: Regarding the Foreign Affairs Information System (FAIS) what are the problems with the current system that justify the increases you request?

Answer: Formulation of a coherent U.S. Foreign Policy requires not only rapid and reliable reporting from often disparate sources, but also timely synthesis of both current and historical information. International events often allow very little time for decision.

The current system was designed over 12 years ago. While it has served the Department well over this period, the current complexity of information and volume has reached the system's capacity. Even more importantly, the current system does not adequately meet our needs to process the information in an integrated fashion throughout the Department. Finally, it is simply too slow -- particularly with respect to retrieval of archived records.

Using modern information technology, we can not only significantly spead-up our information management process, but we can also link offices and reduce manual information processing dramatically. This latter point has very positive security implications.

The Foreign Affairs Information System (FAIS) project is a major initiative for the Department and will bring together the critical information assets of the Foreign Affairs Community into a comprehensive, classified corporate data base.

Specific design objectives of FAIS include:

-- Integration of information resources;

-- Improvement of analysis and therefore the decision making process;

-- Reduction of manual processing and paper files;

-- Improvement of information storage and access;

-- System flexibility to allow for future modification as technology and requirements change;

-- Enhanced security and user access control; and

-- Compliance with applicable information management statutes and Executive Orders.

Question: What would be the fallout if Congress denied this increase?

Answer: If Congress denies this request, the Department will be denied the vehicle needed to integrate the now separate undertakings of telecommunications, data processing and office automation, resulting in the less efficient and less effective handling of foreign affairs information. FAIS is a strategic effort by the Department, building on existing systems by building them into an integrated system which will make available to our officers a wealth of information which could aid in analysis and the decision making process. FAIS uses information technology, as envisaged in the Paperwork Reduction Act, to manage information. If denied, manual processes and their associated security risks and inefficiencies will continue, and the Department will be deprived of a fully coherent means of creating and distributing record copy as well as informal messages. In short, FAIS is a strategic investment needed, in compliance with information statutes, to manage an asset which is critical to the Government.

Question: The request for '86 is for planning and pilot testing. What do you anticipate to be the full cost of this program?

Answer: The concept of "full cost" is difficult to apply to FAIS because our initial development efforts will create an integrated architecture and system that will be continually modified and changed as technology continues to offer new opportunities for enhanced efficiency and effectiveness. Built in a modular or building block fashion, it will be modified and updated as new requirements and technologies emerge. However, with FAIS still in the design stage, we have estimated that we will invest about $20 million per year for the period 1986 - 1990. Since FAIS will be the result of the Department's strategic information resources plan, existing information technology programs from all offices will be examined to determine how they fit that plan to eliminate the potential for duplication and inefficiency.

Question: Please outline your entire three year program to phase in additional Marine Security Guards.

Answer: The Department intends to staff all embassies worldwide and all consulates in Eastern Europe with a Marine Security Guard detachment by the end of FY 1987. In preparation of this, the Department of Defense was requested to increase the manpower of the Marine Security Guard from the current level of 1243 to 1550. The increase of 307 will be used to expand the program. DOD has agreed to do this and we are proceeding.

Approximately 12 new detachments will be opened in each of the next three fiscal years until our goals are met. In the FY 1985 Security Supplemental an appropriation of $12.5 million was received to defray housing, support and other ancillary costs to accomplish this expansion. We are working closely with the Marine Corps to ensure that we remain on schedule with this program.

In FY 1985 we will be staffing Freetown, Kampala, Djibouti, Port of Spain, the Vatican as well as several other posts in Africa. In December 1984, an explanatory cable was sent to the 37 affected posts advising them of this program and giving them guidance to accomplish this objective.

Question:

Why, of all the delegates to the U.N., is Prince Bandar of Saudi arabia given "portal-to-portal" SY protection?

Answer:

Currently, Price Bandar is the Saudi Ambassador to the United States Department of State. Protection of Prince Bandar began in March 1983 when he was Chief of the Saudi Military Mission in Washington and the Saudi negotiator during the AWACs debate. King Faud at that time specifically requested U.S. Government protection of his nephew because of a perceived threat. Former Secretary of State Haig agreed to providing limited protection assistance. Three SY agents augment, on a portal-to-portal basis, the seven private security personnel employed by the Saudi Arabian Embassy.

Question:

Why aren't the State Department's counterintelligence needs handled by the Justice Department?

Answer:

The Justice Department, as a domestic agency, is unable to handle our counterintelligence needs on a world-wide basis. However, close coordination is constantly maintained with the Intelligence Division of the FBI relative to counterintelligence investigations of our cleared American personnel.

The Special Assignments Staff is that element of the Office of Security charged with the counterintelligence responsibility for the Department of State. This staff was initially founded in May, 1962 to counter the threat of attempted personnel penetrations of the Department and the Foreign Service by foreign intelligence services world-wide.

Our present counterintelligence mission, in cooperation with other elements of the Office of Security, the Department and the intelligence community (CIA, FBI, NSA et al.) is to detect and neutralize hostile intelligence activities directed against the Department, our foreign establishments abroad and our personnel.

Our counterintelligence program is essentially defensive in nature incorporating both active investigation and management of various defensive programs.

As a participating member of the counterintelligence community, we have an inherent responsibility to share relevant information, to respond to perceived threats in those overseas environments where other members of the community do not have viable resources, and to participate with other elements of the community in developing counterintelligence programs and conducting appropriate investigations/operations.

Question:

What is SY's authority for engaging in counterintelligence work?

Answer:

Our authority to engage in such activity to protect the security of our facilities and personnel is derived from the authority of the Secretary of State to conduct/manage foreign affairs (22 USC 2526 and 22 USC 842). As stated in the foregoing citations, the Secretary has the right to prescribe regulations and delegate authority. In addition, 22 USC 846 provides justification for conducting investigations/inquiries on behalf of other agencies.

Our chain of authority flows from the Secretary through the Under Secretary for Management, the Assistant Secretary for Administration and Security, and the principal Deputy Assistant Secretary for Security to the Special Assignments Staff. The resulting regulation specifying the counterintelligence function is contained in 1 FAM 244.2. We interpret that portion of the FAM as authorizing the Department to insure the security of our facilities and personnel and to detect and neutralize foreign intelligence activities directed against the Foreign Service.

Question:

Does the U.N. have its own security forces in New York? If it does, what do these forces cover?

Answer:

The U.N. does have its own security force. Its area of responsibility is limited to the U.N. building and grounds. The only exception is that one plainclothes U.N. security official does accompany the Secretary General whenever he travels outside New York City.

Question:

What is LASERTRAIN II?

Answer:

LASERTRAIN II is a weapons simulator system that utilizes a fiber optic detection system to provide maximum realism and effectiveness in firearms training. The weapons simulators are interchangeable with the ammunition cylinder of the SY issued handgun and shotgun. This system provides safe, and realistic training in weapons and tactics by firing a harmless "laser bullet" at a human target wearing a vest that omits an audible signal each time the vest is hit.

Question:

Please provide the Committee with your assessment of the Security Enhancement Program. What were its major successes? Its major failures? Have any of the completed SEP posts subsequently required further enhancement? If so, why?

Answer:

The Security Enhancement Program was a major effort to ensure implementation of minimum security standards at high threat posts. It was innovative in approach through the use of a professional team concept. Each team consisted of representatives from elements of the Department affected by the upgrades as well as contract architectural and engineering support.

Currently, as the result of this program, thirty-six posts now have a higher measure of security. Twenty-six other posts are now undergoing survey, design, and/or construction of security enhancement projects.

The major failure of the program was the untimely completion of the projects. Contributing factors were: the necessity to develop standards; limited number of manufacturers capable of producing and testing equipment of meet the standards; contract negotiations for architectural and foreign construction services; and federal procurement regulations requiring competitive bidding for the purchase of materials; and policy issues related to post specific requirements. Security Enhancement posts as well as others require further enhancements to counter new terrorist tactics and different weapons. The Security Enhancement Program was directed at defending missions against mob violence. The objective of our current programs is to protect against the increased threat of suicide bombings and use of heavier weapons.

Communications

Question:

Please describe the Tactical Satellite (TACSAT) program.

Answer:

The TACSAT program uses small, easily deployable terminals that transmit information over the DOD satellite system to provide secure, reliable communications between overseas posts and the Department of State during crisis or emergency situations when regular communications facilities are lost or otherwise unavailable.

Question:

In FY 1984, you had 555 positions. For 1985, you estimate you will have 642, and in 1986, you are requesting 634. What is the reason for this fluctuation?

Answer:

The fluctuation from FY 1984 to FY 1985 reflects position increases in support of the Alternate Communications Center, the Tactical Satellite program, the TDY Communicators program and the security of the Department's world-wide telecommunications network. The net decrease from FY 1985 to FY 1986 is a result of productive improvements being initiated in the pouch room and increases in communications related security programs.

Information Systems

Question:

It has been suggested by several sources that the Office of Communications should be merged with the Office of Information Systems. Has the Department considered this? If so, why did you decide to keep the two offices separate?

Answer:

Consideration has been given to a merger of these two offices. Other government agencies and private industry are facing this same challenge. To the extent that there is a standard recipe for success, it appears to be that the offices dealing with telecommunications, information systems and office automation report to one boss and that long-range planning be integrated.

We have determined that these two offices have distinct, major programs which should remain separate. They, as well as offices involved in records management, report to the Assistant Secretary for Administration and Security who is the senior designated official in the Department for Information Resource Management. At the same time, we are ensuring that there is strategic integration in the planning process, and close operational coordination in those areas where the two technologies are converging.

Question:

What are your future plans for the RAMCs? Last year it was suggested that the FMS would eliminate the need for the RAMCs. Do you currently agree with that assessment? If not, once all the FMS systems are installed, what will be the role of the RAMCs?

Answer:

In general, the staffing in the financial aspects of RAMC operation is expected to decrease over time, as distributed systems are made available through programs such as FMS for accounting and disbursing. However, the Department is developing a version of the FMS system for the RAMCs. RAMCs will become Financial Management Centers (FMCs), serving a large group of posts which do not have the infrastructure to become FMCs.

The impact of new financial systems for American payrolling (CAPPS) and Foreign Service National Payrolling also have to be taken into account. Gradual rather than dramatic changes in RAMC financial workload will occur over a period of the next few years. RAMC Mexico is an exception. Treasury would like to transfer to RAMC Mexico all financial services currently handled by Treasury's Washington disbursement center. This transfer would result in the establishment of three FMC's and the expansion of RAMC Mexico.

The Department will also be looking to the RAMCs to provide support for the Department's growing overseas automation program. Regional support will be needed for the 50 Department operated minicomputers, approximately 300 office-type word processing machines and an increasing number of microcomputers now in the field. Moreover, the RAMCs will play an important role in the area of training.

Office of Foreign Missions

Question: According to your justification, the Office of Foreign Missions has considered 200 real estate acquisition or construction requests by foreign missions. Is every country subject to your review process?

Answer: Yes. All acquisitions of real property by any foreign mission are subject to OFM review.

Protection of Foreign Missions

Question: How many requests have been made by cities for reimbursement under your Protection of Foreign Missions program? Please list the cities, the amount requested and the amount the Department agreed to pay.

Answer: To date the following cities have requested and are receiving reimbursement for extraordinary protective services:

Los Angeles (Private Contract - Pinkerton)	$250,000
Washington, DC (Metropolitan Police Dept.)	60,000

Discussions are in progress with officials of the cities of Miami and San Francisco. It is estimated that reimbursement will total $395,000 for these jurisdictions. At present, it is anticipated that bills in the amount of $60,000 will be submitted by the city of New York for the protection of the consulates of Colombia and South Africa. Current plans call for visits to Chicago, Houston, Dallas and Boston, which have an estimated request totalling $719,941. Glen Cove, New York has indicated that they expect to be reimbursed for extraordinary services afforded Soviet facilities in the amount of $66,240.

With the exception of the above agreed reimbursements, the Office of Security has not entered into any agreements to pay a specific amount to any other jurisdiction.

FBO

QUESTION:

In your initiative to restructure FBO costs, how much did you transfer to the geographic bureaus in FY 1986? From the bureaus to FBO?

ANSWER:

Under the FBO restructure $97,118,000 was transferred from FBO to the geographic bureaus; $69,739,000 was transferred from the geographic bureaus to FBO. The net transfer from FBO to the geographic bureaus was $27,379,000.

QUESTION:

We understand that you are handling the Security Supplemental building projects differently from regular FBO projects. Please describe the differences. Why are you handling the Security Supplemental differently? How will the Capital Projects you request in the FY 86 budget be handled? Why?

ANSWER:

The Security Supplemental projects prompted FBO to look at new and innovative methods of managing and constructing its capital projects program. Given the location of these projects (more than 90% are located in the Middle East Region) it was felt that a more aggressive approach would have to be undertaken which would incorporate all facets of the construction process. To this end, we formulated a Project Management Team which has specific responsibility for the management of a specific project. To assist this team we acquired a computer driven project management system. This system helps FBO project more accurately the cost of a project, the resources necessary to complete it and the time necessary for each phase. It also provides a schedule that can be used to insure that critical material and equipment arrive at the proper time to complete the project

We are experimenting with the following techniques:

Design/Build -- FBO is using contractors who have architectural, engineering and construction capabilities in-house. A building is designed to FBO standards with guarantees to meet an established budget. The designer serves as the general contractor and is responsible for coordinating all construction, cost controlling and scheduling up to the time of occupancy. Time savings are made by compressing the design time and eliminating the need for separate construction bids.

Fast Track -- Fast track construction starts during the design phase. For example, construction of the foundation may start before the design is completed for the interiors, and long lead time materials and equipment are ordered early. This compresses bidding time since the project is broken into phases.

Off The Shelf -- We have tried using a previously approved design package and adapting it to a different locale.

We have also taken steps to improve our project on-site supervision. Designs are being simplified to facilitate our working with local contractors and we are now holding annual project manager meetings to keep our people abreast of current management procedures. We are bringing project managers on board six months ahead of their assignments overseas in order to give them State side training prior to arrival at Post. We are exploring computer software which will permit our project managers to use computers in managing projects and are hoping that these computers can be linked directly to Washington in an effort to have our backup managers here be able to obtain day-by-day updates if necessary

These same changes will apply to the FY 86 Capital projects.

QUESTION:

What is the current state of the following projects:

1. The Ottowa Chancery
2. The Moscow Complex
3. The Cairo Chancery
4. The Cairo Ambassador's Residence
5. The Riyadh Chancery
6. The Riyadh Residential Housing

ANSWER:

1. The Ottawa Chancery:

The Ottawa Chancery has been delayed pending the review of an alternate site proposed by the Canadian Government. The alternate site would meet the security setback requirement. Therefore, we are actively pursuing the issue with Canadian officials. Simultaneously, we are pursuing the review of our proposed design for our current site on Sussex Drive to see what modifications can be made to the design that will more adequately address the new security requirements.

2. The Moscow Complex:

The U.S. Embassy complex of buildings in Moscow is approximately 65% complete. Depending on the degree of Soviet cooperation and supply of manpower it is anticipated that some housing quarters can be completed for occupancy by the summer of 1986. The office building will probably not be complete for occupancy until early 1988 assuming 12 months for U.S. forces to finish the secure area after the Soviets have been moved out.

Completion status of the buildings follow:

Administration Building	72%
Concourse	66%
School/Marine Quarters	73%
Housing Unit No. 1	87%
Housing Unit No. 2	72%
Housing Unit No. 3	60%
Housing Unit No. 4	73%
Consulate	43%
Site Work	45%
Landscaping	7%

3. The Cairo Chancery:

FBO terminated Kramico's construction contract for default on January 13, 1985 under the provisions of Article 38 of the contract's general conditions. Kramico had failed to maintain progress toward completion of the Chancery, and had failed to take the financial and practical steps necessary to make completion possible. Since the termination, we have entered into interim contracts with various subcontractors to continue essential work until a new construction contract for completion can be awarded. Work that is proceeding is for the dewatering of the basement, and mechanical and electrical work in the basement area. The project is being rebid for completion.

4. The Cairo Ambassador's Residence:

The Embassy was instructed to seek GOE authorization for the sale of this property and perceives no difficulty in obtaining formal approval. One issue, however, remains unresolved: Egyptian banking laws stipulate that proceeds of property sales of this magnitude be deposited in a special blocked account and be subject to withdrawal at a set rate over a period of years. Post is pursuing the issue with the Ministry of Economy and if necessary with the Prime Minister's Office in order to obtain the necessary exemption to convert local currency to dollars.

5. The Riyadh Chancery:

The construction contract for the new Chancery complex was awarded in December, 1983. Construction is proceeding on track and is now at the 60% completion stage. Expected occupancy date for the Chancery complex is expected to be May, 1986.

6. The Riyadh Residential Housing:

Design/development of the proposed 86-unit housing complex in the Riyadh Diplomatic Quarter has been completed. Construction funding was included in the FY 1984 Capital budget. However, approval was withheld by the House Appropriations Subcommittee pending the results of a study of the housing configuration planned for the compound. Following extensive discussions with the Subcommittee, a revised cost study for redesign/construction of rowhouses into apartment unit complexes is now underway. It is expected that this alternate proposal will be ready for submission to the Committee within three weeks.

QUESTION:

Please forward a copy of the Long Range Capital Program to the Committee:

ANSWER:

The Long Range Capital Program is currently under review in light of the Inman Commission report which is due in June of this year. As soon as the two reports are reconciled a copy will be furnished to the Committee.

QUESTION:

What sanctions can be brought against the Russian Government for the delays in construction of the Moscow complex? Have you considered replacing the Russian contractor with an American contract due to their noncompliance?

ANSWER:

A procedure has been established so that the United States can seek reimbursement from the Soviet contractor for their delays in completing the construction. The contract entered into between the Office of Foreign Buildings and the Soviet contractor includes a provision for resolution of delays through claims. In the event such claims cannot be settled by negotiation, the contract provides for arbitration under the aegis of the Stockholm Chamber of Commerce in accordance with the rules of the United Nations Commission on International Trade Law. The major problem with replacing the Russian contractor with an American contractor is the potential cost and the need for Soviet cooperation. The cost would be significantly higher to bring the necessary additional U.S. labor on the site. In addition, the U.S. will require from the Soviets: completion of the work requiring Soviet materials; cooperation in uninterrupted flow of materials, utilities, and U.S. people; protection from Soviet damage to work in place; and availability of additional housing already seriously constrained.

QUESTION:

Please prioritize your Budget:

ANSWER:

The priority order for our FY 86 capital projects follow:

Location	Project
Nicosia, Cyprus	OBC/EMR/Con
Tunis, Tunisia	OBC/Site Acq./Dev.
Izmir, Turkey	COB/Site Acq./Dev.
Istanbul, Turkey	COB/Site Acq./Dev.
Abidjan, Ivory Coast	OBC/Site Acq./Dev.
Khartoum, Sudan	OBC/Site Acq./Dev.
Kingston, Jamaica	OBC/Dev.
Baghdad, Iraq	OBC/EMR/Site Acq./Dev.
Ankara, Turkey	CMP/Site Acq./Dev.
Algiers, Algeria	CMP/Dev.
La Paz, Bolivia	OBC/Const.
Shanghai, China	COB/Dev.
Guangzhou, China	COB/Dev.
Georgetown, Guyana	OBC/Const.
Gaborone, Botswana	OBC/Const.
Pt Moresby, Papua N. Guinea	OBC/Dev.
Caracas, Venezuela	OBC/Const.
Beijing, China	OBC/Dev.
Bonn, Germany	SDA-420/Rehab
Bonn, Germany	OBC/Rehab
Cotonou, Benin	OBC/Site Acq./Dev.
Santiago, Chile	OBC/Site Acq./Dev.

FBO

Regarding the Beijing Facility:

QUESTION:

Your justification for a new chancery in Beijing states that you have 287 American and Chinese employees on the rolls and 434 projected in 1986. What is the reason for such growth? What will all these additional people be doing? Why doesn't this increase appear elsewhere in your justification?

ANSWER:

The increase of 434 employees is projected for 1990, through the life of the project. With increasing bilateral activities between both countries, staffing requirements to meet mission objectives are projected to reach this level.

QUESTION:

How much space was the U.S. able to obtain? What will you build on that site?

ANSWER:

The Embassy was able to obtain approximately 25,000 sq. meters. We plan to build an office building chancery (OBC), a Marine Security Guard Residence and possibly an Ambassador's residence.

QUESTION:

Did the U.S. agree to give up any of its presently occupied sites to obtain this property? if so which ones?

ANSWER:

No. The negotiations did not focus on our relinquishing any of the properties we presently occupy, although it is anticipated that this issue may be addressed by the Chinese at some point in the future.

QUESTION:

What will you do with the sites you retained once the new chancery is built?

ANSWER:

These sites will be retained until final design of the new Chancery and related facilities are approved by both sides. At that time the decision will be made as to how much of the land we now hold must be retained to accommodate our staff requirements and how much can be relinquished to the PRC.

QUESTION:

What is the total cost of the land?

ANSWER:

The estimated cost of the land lease agreement is $15 million, plus the cost of the development of the site. This cost is estimated at $2 million.

QUESTION:

It is our understanding that you will not own the land in fee simple, but will own it for a number of years. Is this correct? If so, for how long?

ANSWER:

The land will not be held in fee simple. Negotiations on terms of the lease and length of time are still underway. A sixty to ninety year lease has been proposed by the PRC. Final terms will be determined strictly on the basis of reciprocity.

QUESTION:

What is the security threat in the PRC?

ANSWER:

The Department's Security Office has rated the security threat level in the PRC at the lowest level category.

FBO
Regarding the Guangzhou facility

QUESTION:

How much space did you obtain?

ANSWER:

Thus far, 8,000 sq. meters have been offered by the Chinese. However, our needs will best be met by a 10,000 sq. meter site. We are continuing negotiations pressing for a 10,000 sq. meters site.

QUESTION:

Are there any height restrictions on any building on that property?

ANSWER:

Yes, we must comply with a 21 meter height restriction.

QUESTION:

What is the total purchase price?

ANSWER:

The cost of the long term lease for the land is $4 million payable in two equal installments.

QUESTION:

Did you obtain a long-term lease on the land? If so, for how long?

ANSWER:

No. We are still negotiating for a 90 year "land use agreement".

QUESTION:

Have you tried to obtain any more office space at the Dong Fong hotel?

ANSWER:

Yes, however, the Hotel will not lease the USG any more space than we now presently occupy.

QUESTION:

What would be built on the new site?

ANSWER:

An Office building chancery (OBC), a Marine Security Guard Residence and possibly some staff apartments.

FBO
Regarding the Shanghai facility

QUESTION:

How does the current facility fail to meet USG security standards?

ANSWER:

The Consulate is now housed in an old private residence which was not designed for office use. Our classified areas do not have the required separation from FSN employees. Our required internal modifications have put stress on the supporting walls and floors, and as a result, have cracked the supporting interior structure.

QUESTION:

When will the lease under the current facility come up for renewal?

ANSWER:

It is renewed annually.

QUESTION:

Have you attempted to purchase that property?

ANSWER:

Purchase of property is not allowed under current Chinese law.

QUESTION:

What would be built on the new site?

ANSWER:

An Office building, Consul General's residence, and possibly a Marine Guard residence.

FBO
Regarding the Port Moresby facility:

QUESTION:

What is the threat level in Papua, New Guinea?

ANSWER:

It has been classified as a medium threat level post by the Department's Security office.

QUESTION:

How long is the term of the lease for the new property?

ANSWER:

We have acquired a 99 year lease on this property.

QUESTION:

Why don't you attempt to purchase a site?

ANSWER:

The Government of Papua New Guinea does not permit the sale of property to foreigners. All diplomatic missions are required to long-term lease property in the diplomatic enclave.

QUESTION:

How much did you pay for the lease?

ANSWER:

The U.S. Government will pay $18,000 per year.

FBO

QUESTION:

Why are most of the residences you plan to purchase in FY 1986 going for DOD staff housing?

ANSWER:

As a result of an agreement in 1982 between the Department of State, OMB, and the Department of Defense it was agreed that OMB would earmark $5 million annually in FY 1985 through FY 1988 for DOD housing. This agreement resolves a long standing issue of housing costs for DOD employees.

QUESTION:

How many housing units do we own in Bonn?

ANSWER:

We own 448 housing units in Bonn.

QUESTION:

How much do you expect to receive from the Government of Iraq for your expropriated properties? The Committee requests a detailed justification of the project before it appropriates any money for it.

ANSWER:

The former U.S. Embassy building and grounds (approximately nine acres) in Baghdad were seized by the Iraqis in 1971. The reestablishment of full relations in December, 1984 offered an opportunity to push the Iraqis to resolve the twin problems of resolution of our claim to the old Embassy and the need for efficient and secure new quarters. The Iraqis have offered a plot of land within their Diplomatic Quarter as recompense for our old Embassy site. We intend to negotiate for an amount of land equivalent to what was seized (41,000 square meters) and to seek equal value and compensation towards construction costs for the replacement Chancery compound. Full compensation talks will begin with the Iraqis when an acceptable site has been located.

QUESTION:

You are requesting $8.75 million for leasehold payments in the PRC. Please provide more detail on these payments. Are they for the existing office buildings or for residences? What is the term of the leases?

ANSWER:

This sum is for leasehold payments for both office space and residences throughout the PRC. The breakdown is as follows:

Guangzhou	$2.0 million
Shanghai	$1.5 million
Chengdu	$2.3 million
Wuhan	$2.3 million
Other new leases	$0.7 million

Chengdu and Wuhan are projected to open in September 85 and June 86 respectively. All leases are signed on a year to year basis.

QUESTION:

You are requesting $22 million for an anti-terrorism program. How does this program differ from the programs in the Office of Security? How does it differ from the Security Supplemental programs? What type of improvements would you make with this program?

ANSWER:

The anti-terrorism program is managed by the Office of Security using funds from the Acquisition and Maintenance of Buildings Abroad account, the regular FBO appropriation. The current anti-terrorism program, originally planned for at least four years, was funded in 1979 in order to upgrade Public Access Control (PACs) for government-owned and long-term leased office buildings at all posts.

The anti-terrorism program is separate and distinct from the FY 1985/1986 Security Supplemental and the Office of Security programs. The anti-terrorism program improves the internal security of buildings now in use, including short-term leased properties. Projects include installing initial access control facilities and upgrading existing installations to meet higher security and technical equipment standards. The categories of standard security requirements, depending on post size, include the following:

Public Access Control	Marine Security Guard (MSG) booth/s or guarded entrances with full controls;

Technical Equipment	TV monitors, walk-through/ hand-held metal detectors, alarms and other security devices;

The Office of Security programs and the Security Supplemental for Overseas Perimeter Security funded by the Salaries & Expenses appropriation (S&E) handle a wide range of security measures for our buildings, most notably, to improve perimeter security. Funding for this activity includes:

> Anti-ramming devices, barriers, wall/fence reinforcements, perimeter lighting fixtures, shatter-resistant film for windows, and pedestrian gates.

Funding provided by the FY 1985/1986 Security Supplemental, funded through the Acquisition, Operation and Maintenance of Buildings Abroad (FBO) regular appropriation, will provide for construction of new office buildings and embassy compounds at the 13 high-threat posts already identified.

In terms of improvements, in FY 1986, FBO will assume responsibility for the anti-terrorism program for short-term leased properties. SY has identified 50 short-term leased properties in need of minimum security improvements and we will first focus on the 17 high-threat posts requiring security upgrading. In addition, the Department's efforts to upgrade the security of our facilities overseas have led to internal and external improvements which have been incorporated into building designs for future new building projects.

QUESTION:

Under your Communications Center Renovations program, you are requesting $743,000 to upgrade the Tokyo Center. How is the current set up in Tokyo deficient? What do you plan to do?

ANSWER:

The Tokyo Post Communications Center (PCC) budget request was to allow a complete electrical power, HVAC (heating ventilation and air conditioning) and space renovation within the PCC. This upgrade of power and air conditioning is needed to allow the system to meet full DTS (Diplomatic Telecommunications Service) standards. In addition the installation of a classified Information Handling System (CIS) and Protected Distributive System (PDS) was planned which would require some modification to the interior spaces of the PCC as well as cause an additional requirement for power and Air Conditioning.

QUESTION:

What are your policies towards keeping project managers on the job overseas until the projects are completed?

ANSWER:

FBO's policies include keeping active project manager presence on our construction projects until final acceptance has been granted to the contractor.

QUESTION:

In your maintenance of Buildings account: how much is for routine and how much for special maintenance?

ANSWER:

The $41 million request is not broken down by special and routine maintenance. However, it is estimated that roughly 3/4 of the funding for building maintenance is for routine maintenance and approximately 1/4 is for special maintenance.

QUESTION:

What is the total (in dollars) of each excess currency account? When do you project each to run out? Do you anticipate any new currencies to become excess?

ANSWER:

The 1986 request includes $580 thousand for staff housing in Pakistan. Operations and maintenance programs account for $2.1 million of the total $2.7 million request. Of that amount, we estimate that $1.7 million will be in Pakistan and the remainder in Burma and Guinea. The Treasury Department makes projections of excess foreign currencies with OMB determining availability for use in SFC appropriations. Poland has been added to the list of excess countries, and we expect to start budgeting programs there beginning in 1987.

Regarding the Emergencies in the Diplomatic and Consular Service:

QUESTION:

--How much was used for evacuations of Americans in FY 1984?

--How much have you spent for rewards for information concerning terrorist acts?

--What is the decisionmaking process in the Department leading to the payment of a reward?

ANSWER:

In 1984 $250,000 was obligated for evacuations.

No funds have been spent as of April 1, 1985 for rewards for information concerning terrorist acts. The Department is currently finalizing procedures for the implementation of the rewards program and will begin to use the funds when these procedures have been established. We will provide the Committee with the rewards payment procedures, which includes the decisionmaking process in the Department leading to the payment of a reward, when they are finalized.

Payment to the American Institute in Taiwan

QUESTION

Does the American Institute in Taiwan hire its employees from other agencies than the State Department: If so, which agencies?

ANSWER

The American Institute in Taiwan may employ individuals from any U.S. Government agency. For example, there are currently people working for the Institute who have separated from agencies such as: Department of State, U.S. Information Agency, and the Departments of Commerce and Agriculture.

QUESTION

If U.S. government employees' salaries are reduced 5%, will AIT's salaries also be reduced?

ANSWER

If the salaries of U.S. Government employees are reduced, the Institute would reduce, accordingly, the salaries of its American personnel.

QUESTION:

What is the International Labor Organization's position on the legitimacy of Poland's Solidarity Union?

ANSWER:

Lech Walesa, in his role as President of the National Consultative Committee of the trade union Solidarity, was Poland's worker delegate to the 1981 ILO Conference. There was no objection to his nomination as such and he was accordingly recognized and seated. (It should be noted that the ILO constitution makes it an obligation of each member state to choose its non-governmental worker and employer delegates "in agreement with the industrial organizations...which are most representative of employers or work people...in their respective countries.")

The Polish Government's delegation to the 1982 ILO Conference did not include labor or employer delegates. It was believed that if it had included a "worker" from any organization other than Solidarity, the free trade unions and many employers and governments would have strongly challenged his credentials as the representative of the "most representative" trade union organization.

In 1983 and 1984 there was no Polish representation at the ILO Conference and, in fact, in 1983, following the appointment of a Commission of Inquiry to investigate the labor situation in Poland, Warsaw announced that it was "suspending" its participation. In 1984, when the Commission's report was accepted by the ILO Governing Body (over strong Soviet bloc opposition), Poland announced its intention to withdraw from the organization.

Various ILO bodies, such as the Commission of Inquiry mentioned above, as well as the Governing Body's Committee on Freedom of Association, have been highly critical of the Polish Government's suppression of Solidarity as a violation of labor rights guaranteed by ILO Conventions on freedom of association (#87) and right to organize (#98). The Government of Poland has freely entered into and duly ratified both of these conventions.

International Boundary and Water Commission

Question: Regarding the Nogales International Wastewater Treatment Plant, how much will Mexico contribute to the plant expansion project?

Answer: The amount Mexico contributes to expansion of the Nogales wastewater treatment plant will have to be determined by negotiations. The position of the U.S. Section of the Commission is that Mexico's share of the costs should be in accordance with its total volume of sanitary wastewater to be treated. Negotiations will be undertaken as soon as the preliminary cost estimates are determined. Although funds are requested for construction in 1986, monies will not be expended until a satisfactory agreement with Mexico on cost sharing is reached.

Question: What is the status of your negotiations with Mexico regarding the treatment of Tijuana's sewage by the City of San Diego? What are your goals?

Answer: Mexico has not yet agreed to a new contract to reimburse San Diego for the full cost of treating sewage from Tijuana. Currently, negotiations are in progress between the two Governments for a solution of the Tijuana sanitation problem. The goal of the new agreement will be to obtain Mexico's agreement to pay the City of San Diego the total cost for the treatment and disposal of Tijuana sewage.

International Fisheries Commissions

Question: Regarding your request for the International Fisheries Commissions, why isn't the 5% Federal salaries reduction reflected in your numbers?

Answer: No U.S. Government employees are directly funded through this appropriation. Staff members of each commission are international organization employees and, as such, are not directly affected by internal U.S. Government decisions regarding salaries. Most of the requests for increased salary costs are part of an overall increased assessment of the operating expenses of each commission.

However, there is one instance of indirect funding of U.S. Government employees. The Great Lakes Fishery Commission employs U.S. Government employees of the Department of the Interior's Fish and Wildlife Service, under a contractual arrangement, to perform the actual field work associated with lampricide treatments of selected streams feeding into the Great Lakes. If a reduction in U.S. Government salaries is authorized for FY 1986, the Fish and Wildlife Service will refund any excess salary payments to the Great Lakes Fishery Commission.

United States Bilateral Science and Technology Agreements

Question: Why are you resuming the Science and Technology agreement with Poland?

Answer: The President directed, in August 1984, that we initiate negotiations leading to a science and technology (S&T) agreement with Poland. We transmitted a draft agreement text to the Government of Poland and had hoped, in fact, to have a completed agreement by the end of February 1985. However, an incident in February involving the Defense Attache and his wife of the U.S. Embassy in Warsaw, and

U.S. objections to the manner in which Polish security authorities handled the investigation, have forestalled the negotiations.

We have received informal reactions from the Polish authorities that lead us to believe that we would expect a rapid conclusion to these negotiations should they be initiated, at which time we would hope to be in a position to promptly provide funding in support of this cooperative S&T program.

International Fisheries Commissions

Question: The Pacific Salmon Treaty was recently signed by the President and the Prime Minister of Canada. Does the State Department intend on submitting a supplemental request and/or a budget amendment to implement this treaty? If not, why not? Has the State Department agreed on a division of responsibility with the Commerce Department for implementation of the provisions of the treaty? What is the agreement?

Answer: The Department of State has submitted to OMB a supplemental funding request for FY 1985 and a budget amendment for FY 1986 to implement certain provisions of the Pacific Salmon Treaty.

The Departments of State and Commerce have informally agreed on a division of responsibilities for implementing the provisions of the Pacific Salmon Treaty based on traditional roles for each department.

Under current procedures, the Department of State funds the United States' share of the operating expenses of various international fisheries commissions including items such as staff salaries, travel, and various miscellaneous office and equipment costs. The Department of Commerce funds fisheries research and enhancement obligations to international treaties such as the Pacific Salmon Treaty. We understand that the Department of Commerce will be submitting funding requests to implement provisions of the treaty for which they are responsible.

Soviet-East European Research Fund

Question:

Please provide the Committee a list of projects funded by the Soviet-East European Research Fund.

Answer:

1. American Council of Teachers of Russian
   To provide additional tuition and travel fellowships for *in situ* graduate study of Russian.

2. Council for International Exchange of Scholars
   To fund intensive language and area training to non-area Fulbright scholars prior to their departure for assignment abroad.

3. Harvard Russian Research Center
   To organize and conduct a national competition among editorial boards of scholarly journals in the field for publication of works by young scholars.

4. Hoover Institution/Stanford University
   To fund additional post-doctoral fellowships.

5. University of Illinois
   To partially fund the University's Slavic Reference Service and Summer Research Laboratory on Russia and Eastern Europe.

6. International Research and Exchanges Board
To provide improved field access to the US scholarly community.

7. The Joint Committee on Eastern Europe of the American Council of Learnard Society (ACLS) and Social Science Research Council (SSRC)
To fund a graduate training program, to establish an Eastern European journal, to conduct in situ language training, and together with the Woodrow Wilson Center to sponsor an East European Institute at the Center comparable to the Kennan Institute for Russian Studies.

8. The Joint Committee for Soviet Studies of the Social Science Research Council (SSRC) and American Council of Learnard Society (ACLS)
To fund a national fellowship program designed to attract and retain junior scholars, including shared cost with universities for initial academic assignments and support for collaborative research projects, and to conduct a national competition for grants to American institutions that offer intensive training in the Russian language.

9. The National Council for Soviet and East European Research
To augment existing programs designed to develop and sustain long-term fundamental research dealing with major Soviet and East European policy issues on the basis of a national research agenda, soliciting responsive bids through an annual national competition, and the awarding of contracts.

10. The Woodrow Wilson Center of the Smithsonian Institution
To provide additional support to the Kennan Institute for Advanced Russian Studies and to help establish a new East European Institute for research and dissemination programs.

QUESTIONS SUBMITTED BY SENATOR WARREN RUDMAN

SEPARATE SATELLITE SYSTEMS

QUESTION

1. As you know, in a letter dated November 28, 1984, you and Commerce Secretary Baldrige recommended to the FCC that the Commission authorize new private satellite systems to compete with INTELSAT. The Commerce and State Departments sent to the FCC a "White Paper" stating that such systems will not divert enough traffic from INTELSAT to do significant harm -- as long as they are precluded from offering anything but private-line, "non-switched" service which cannot be routed into public networks.

- I am told that technical experts (as well as most of the 109 members of INTELSAT) believe that there is no effective way to segment the market in this way. What basis did you have for asserting that the new satellite systems can be walled off from the public telephone network?

- What would you suggest if it turns out this public/private wall is leaky? In that event, should the idea of authorizing additional systems be re-examined?

ANSWER

We have never asserted that the new satellite systems can be completely walled off from the public switched message network, and we are very well aware of what has been called the "leaky PBX" problem. However, we have seen no convincing arguments as to why a corporation or entity that buys or leases a transponder for customized services should seek to deliberately disregard the restriction on interconnection with public switched message networks. Many large corporations rely on private lines leased from the telecommunications authorities which interconnect with public networks as the backbone of their communications networks, and there will be a continuing need for these. Large business users know that if they abuse the separate satellite link, a telecommunications authority could respond by terminating their leased line services. That could be a very serious matter to corporations, and we simply do not see corporations jeopardizing their overall communications needs in this way. What is more likely to happen in the future is a demand from both users and satellite providers that the restrictions be modified or lifted. Should we be faced with this demand in the future a reexamination of our current policy would be in order, keeping in mind our commitment to the continued vitality of INTELSAT.

QUESTION

2. Many, if not all, INTELSAT member nations, other than the Administration, believe that separate transatlantic satellite systems will injure the global system. In view of this situation, some experts have testified to the Congress that it will backfire if the U.S. tries to present the world with a fait accompli, and have the FCC act on these license applications before the Executive Branch has conducted negotiations with our allies to try and achieve a consensus.

- Can you comment on this? Should we be licensing first, and then negotiating?

ANSWER

First, we do not share the view that the limited amount of competition permitted under the President's determination will injure the INTELSAT global system. Although the President's determination opens the way for the FCC to authorize the first non-INTELSAT satellite communications systems across the Atlantic, satellite systems outside INTELSAT already exist in Southeast Asia and Europe, and are planned for the Arab countries, and possibly, Africa. Moreover, none of the other non-INTELSAT systems are restricted in the kinds of services they can provide, while the U.S. systems will be restricted to offering only a small range of services.

Second, the process we have gone through in reaching our Executive Branch decision was an examination of what could be accomplished within the framework of domestic law. It involved a thoughtful examination of what was in the U.S. national interest. While this undoubtedly incorporates our foreign policy concerns, one has to realize that our basic philosophical approach to telecommunications, which is reliance in the private marketplace to develop services and spur technology, is fundamentally at odds with the approach taken in most of the rest of the world, which at present tends to favor preservation of telecommunications as a government monopoly. "Negotiation" is not going to change that in the short term. With regard to this issue, our policy considerations have also been guided by an international agreement, the INTELSAT Agreement, and our strong commitment to that organization. The structure of that Agreement provides for consultation on specific satellite systems which provide specific services.

In any event, consultation can only go forward if we have a partner, another nation, agreeing to accept the new systems. So, it is misleading to view our policy decisions as a "fait accompli." During the recent meeting of the INTELSAT Assembly of Parties, several INTELSAT members noted that debate in INTELSAT about the proposed U.S. systems was premature because INTELSAT had not been presented with a proposal for an operational system which could be discussed on its merits. At this stage, we have no specific satellite system to discuss, because no system has been authorized by the FCC. When we have a proposal to present to INTELSAT we will enter into good-faith consultations regarding technical compatibility and significant economic harm to the global system of INTELSAT.

In the interim we have tried to explain our policy process to as many INTELSAT members as possible. We have done this at INTELSAT meetings, during separate bilateral discussions with interested countries, and at other fora with an appropriate international audience. We have requested all our Embassies to explain our decision to host governments, and have provided the Embassies with copies of the White Paper and other detailed information so they can respond to questions. It is our intention to be as forthcoming as possible.

QUESTION

3. Currently, the INTELSAT charter requires uniform pricing. The effect of this rate structure is that the less-used routes to developing countries are being subsidized by the high density routes, primarily the corridor between the U.S. and Europe.

- It has been argued that competing systems may draw off the "cream" customers leaving INTELSAT in a disadvantaged position and possibly resulting in higher charges to less developed countries. Is it possible that these countries may be attracted to the Soviet Intersputnik system?

ANSWER

The U.S. decision offers the possibility of alternative means of service in a specific and limited market, that is customized services not interconnected with public switched networks. The vast bulk of INTELSAT's business is basic telephone, telex, and data and other services interconnected to public switched networks. And, INTELSAT is of course free to compete with any new entrant for the share of the market we propose to open up to competition. INTELSAT can bring tremendous built-in advantages to that competition.

As far as Intersputnik is concerned, we have no evidence that the Soviet system, which is technically inferior to INTELSAT, is in any position to offer alternative service on a world-wide basis. Intersputnik services have been available for years, at prices already below those charged by INTELSAT members, and few countries have taken advantage of it.

QUESTIONS SUBMITTED BY SENATOR ERNEST F. HOLLINGS

On October 25, 1984, Senator Helms announced that 22 U.S. ambassadors were supporting him for re-election. The Department indicated at that time that it was a long-standing policy to discourage ambassadors from participating in partisan political campaigns.

Senator Helms later told a news conference that the Department's statement "was prepared by the underbelly of the State Department that despises anybody who is trying to turn around the Foreign Policy of the Federal Government." He told reporters "I'll bet you a dollar that if you call George Shultz, he will not make the same statement made by these people."

Question: What about it Mr. Secretary, did the State Department's spokesman correctly state your views?

Answer: It is a long-standing Department of State policy to urge ambassadors to restrain their partisan political activities, consonant with their need to be full-time representatives of the United States in their official capacity. Secretary Shultz initiated a review of the matter in February of 1984, and secured the agreement of the White House Counsel on a policy statement. That statement was sent to all ambassadors in March and was followed by a reminder message in September. Both cables stress the fact that the first priority of ambassadors should be the timely and successful completion of their official duties, and note that ambassadors have been discouraged from extensive participation in partisan political campaigns. These cables are attached.

UNCLASSIFIED **OUTGOING**

Department of State **TELEGRAM**

PAGE 01 STATE. 260206 [illegible]

ORIGIN SS-00

INFO OCT-00 ADS-00 EUR-00 AF-00 MMO-01 IO-15 NEA-06
ARA-00 SSO-00 L-03 AMAD-01 EAP-00 AIT-02 SIG-03
AS-02 /033 R

DRAFTED BY C:JWKIMBALL:BH
APPROVED BY S:THE SECRETARY
C:EDERWINSKI
L:KEMALMBORG DRAFT
S/S:MHOVA
S:RFAIRBANKS
S:MBUTLER
S/S-O:ACSHIPPY

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TO ALL DIPLOMATIC POSTS PRIORITY

LIMITED OFFICIAL USE STATE 260206

E.O. 12356: N/A
TAGS: AMGT; US
SUBJECT: GUIDANCE TO AMBASSADORS ON CAMPAIGN PARTICIPATION

REF: STATE 065152

FOR THE AMBASSADOR FROM THE SECRETARY

1. I WANT TO REMIND YOU OF THE MARCH 6 MESSAGE (REFTEL) OUTLINING THE ADMINISTRATION'S VIEWS ON POLITICAL ACTIVITIES OF STATE DEPARTMENT EMPLOYEES AND AMBASSADORS. IT SHOULD ALSO BE STRESSED THAT EACH NON-CAREER .

AMBASSADOR ABROAD SHOULD GIVE PRIORITY TO HIS ASSIGNED RESPONSIBILITIES AND REFRAIN FROM RETURNING TO THE U.S. TO ENGAGE IN PARTISAN POLITICAL ACTIVITY DURING THE UPCOMING CAMPAIGN.

2. SO FAR AS POLITICAL ACTIVITY BY AMBASSADORS IS CONCERNED, THE WHITE HOUSE MEMORANDUM CITED IN THE REFERENCED TELEGRAM POINTED OUT THAT:
--AMBASSADORS ARE FULL-TIME FEDERAL EMPLOYEES WHOSE FIRST RESPONSIBILITY IS THE TIMELY AND SUCCESSFUL

COMPLETION OF THEIR OFFICIAL DUTIES;
--AS A MATTER OF LONG-STANDING TRADITION, AMBASSADORS HAVE BEEN DISCOURAGED FROM EXTENSIVE PARTICIPATION IN PARTISAN POLITICAL CAMPAIGNS;
--NO APPROPRIATED FUNDS OR GOVERNMENTAL RESOURCES SHOULD BE USED FOR PARTISAN POLITICAL PURPOSES.

3. I BELIEVE THESE ARE CRITERIA TO WHICH WE SHOULD ALL SCRUPULOUSLY ADHERE. WHILE IT IS NOT UNLAWFUL FOR NON-CAREER AMBASSADORS TO ENGAGE IN SOME FORMS OF PARTISAN POLITICAL ACTIVITIES, OUR FIRST RESPONSIBILITY IS TO THE NATION AND THE EXECUTION OF OUR FOREIGN POLICY. INHERENTLY, OF COURSE, THIS REQUIRES YOUR PERSONAL ATTENTION IN THE AREAS OF YOUR INDIVIDUAL RESPONSIBILITY, AND MAY WELL PRECLUDE YOUR TRAVEL TO THE U.S. SOLELY TO PARTICIPATE IN PARTISAN POLITICAL ACTIVITY.

4. SHOULD YOU BE ASKED TO BRIEF CANDIDATES, AMERICAN POLITICAL GROUPS, OR CONTRIBUTORS (AT HOME OR ABROAD), YOU MAY DO SO, OF COURSE, BUT ON THE UNDERSTANDING THAT YOU LIMIT YOUR REMARKS TO ISSUES RELATING TO FOREIGN POLICY AND THAT YOUR SERVICES IN THIS RESPECT ARE AVAILABLE EQUALLY TO MEMBERS OF BOTH POLITICAL PARTIES.

5. FINALLY, CAREER OFFICIALS WHO ARE NOT APPOINTED TO THEIR POSITIONS BY THE PRESIDENT WITH THE ADVICE AND CONSENT OF THE SENATE ARE COVERED BY PROVISIONS OF THE HATCH ACT AND OTHER REGULATIONS (SEE REFTEL.) THEY MUST FEEL THEMSELVES UNDER NO POLITICAL OBLIGATIONS NOR

SUBJECT TO ANY PRESSURES TO PARTICIPATE IN ANY WAY IN THE FORTHCOMING POLITICAL CAMPAIGN.

6. PLEASE LET ME KNOW DIRECTLY IF YOU BELIEVE ANY OF THESE GUIDELINES WILL IMPOSE ANY UNDUE HARDSHIP ON YOU PERSONALLY.

DAM

UNCLASSIFIED OUTGOING
Department of State TELEGRAM

INFO OCT-00 COPY-01 ADS-00 SS-00
SSA-01 /003 R MMO-01 SSO-00 SIG-03

DRAFTED BY L:KMALMBORG/C:DCLARE
APPROVED BY C:EDERWINSKI
L:DROBINSON
S/SA:RFAIRBANKS
S/S:CHILL
S/S-O: JWARD

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TO ALL DIPLOMATIC POSTS

UNCLAS STATE 065152

E.O. 12356: N/A
TAGS: AMGT, US
SUBJECT: GUIDANCE TO AMBASSDORS ON CAMPAIGN PARTICIPATION

REF: 3 FAM 620 APPENDIX A

FOR AMBASSADORS

1. SUMMARY: THE FOLLOWING GUIDANCE APPLIES TO POLITICL ACTIVITIES OF AMBASSADORS. IT INCORPORATES THE VIEWS OF

THE WHITE HOUSE AS SET FORTH BY THE COUNSEL TO THE-PRESIDENT AND SUMMARIZES THE APPLICABLE DEPARTMENT REGULATIONS. END SUMMARY.

2. GENERAL POLICY: IN A FEBRUARY 14 MEMORANDUM TO THE DEPUTY SECRETARY, QUOTED IN FULL BELOW,-THE COUNSEL TO-THE PRESIDENT NOTES THAT AMBASSADORS "ARE NOT SUBJECT TO THE RESTRICTION OF THE HATCH ACT PROHIBITING FEDERAL EMPLOYEES FROM ENGAGING IN PARTISAN POLITICAL - - - ACTIVITIES. NEVERTHELESS, AS A MATTER OF LONG-STANDING TRADITION, IN THIS AND PREVIOUS ADMINISTRATIONS, EMPLOYEES OF THE DEPARTMENT OF STATE, INCLUDING AMBASSADORS, HAVE BEEN DISCOURGAGED FROM EXTENSIVE PARTICIPATION IN PARTISAN POITICAL CAMPAIGNS. THAT TRADITION WAS BASED LARGELY ON THE HISTORICIAL CONCEPT THAT AMERICAN FOREIGN POLICY SHOULD BE CONDUCTE" IN A NON-PARTISAN MANNER. THUS, WHILE-AMBASSDORS ARE;NOT PROHIBITED FROM ENGAGING IN PARTISAN POLITCAL ACTIVITIES, THE VERY NATURE OF THEIR RESPONSIBILITIES AS-FEDERAL , OFFICIALS NECESSITATES THAT THEY BE -VERYCAREFUL-NOT TO ALLOW SUCH ACTIVITIES TO INTERFERE WITH THE EXECUTION OF OUR FOREIGN POLICY AND THEIR OFFICIAL RESPONSIBILITIES."

3. THE MEMO CONTINUES: "AMBASSADORS WISHING TO ENGAGE IN PARTISAN POLITICAL ACTIVITIES IN SUPPORT OF SPECIFIC - CANDIDATES SHOULD BE COGNIZANT OF THE FACT THAT THEY ARE FULL-TIME FEDERAL EMPLOYEES WHOSE FIRST RESPONSIBILITY IS THE TIMELY AND SUCCESSFUL COMPLETION OF THEIR OFFICIAL DUTIES. HENCE, THEY SHOULD NOT TAKE VISIBLE FOR ACTIVE MANAGEMENT POSITIONS IN A POLITICAL CAMPAIGN, ... - AMBASSADORS, MAY, HOWEVER, ACT AS SURROGATE SPEAKERS FOR POLITICAL CANDIDATES (BUT SHOULD, AS A GENERAL-POLICY, LIMIT THEIR REMARKS TO ISSUES RELATING TO FOREIGN- , POLICY), AND MAY, TO A LIMITED DEGREE, ENGAGE-IN FUNDRAISING ACTIVITIES ON BEHALF OF-SUCH CANDIDATES."

4. PAYMENT OF EXPENSES ASSOCIATED WITH ANY POLITICAL TRAVEL BY AMBASSADORS SHOULD BE MADE IN ACCORDANCE WITH

GUIDELINES QUOTED BELOW WHICH PROVIDE THAT NO APPROPRIATED FUNDS OR GOVERNMENTAL RESOURCES SHOULD BE USED FOR PARTISAN POLITICAL PURPOSES.

5. SOLICITING CONTRIBUTIONS FOR POLITICAL CAMPAIGNS FROM FEDERAL EMPLOYEES DIRECTLY OR INDIRECTLY IS PROHIBITED BY LAW. WITH REGARD TO MAKING CONTRIBUTIONS TO THE PRESIDENT'S CAMPAIGN COMMITTEE, THE COUNSEL TO THE PRESIDENT TAKES A VERY CAUTIOUS APPROACHTO 18 U.S.C. 603 WHICH REFERS TO CONTRIBUTIONS. HE STATES THAT "AS A MATTER OF POLICY WE ARE SUGGESTING THAT NO AMBASSADORS MAKE PERSONAL CONTRIBUTIONS TO THE PRESIDENT'S AUTHORIZED POLITICAL COMMITTEE (REAGAN-BUSH '84). THIS RESTRICTION IS PERSONAL TO THE AMBASSADOR AND DOES NOTAPPLY TO HIS OR HER SPOUSE OR FAMILY, AND IS ONLY APPLICABLE TO REAGAN-BUSH '84."

6. THE DEPARTMENT'S REGULATIONS ON PARTICIPATION IN PRIVATE ORGANIZATIONS, SUCH AS POLITICAL ACTION COMMITTEES, ALSO APPLY TO AMBASSADORS. SEE 10.735-211 (C), (E), (F), AND (G) 3 FAM 620 APPENDIX A. SUBSECTION (F), FOR EXAMPLE, PROVIDES THAT AN EMPLOYEE'S OFFICIAL TITLE OR CONNECTION MAY NOT BE USED ON A LETTERHEAD, IN A

PUBLICATION, OR OTHERWISE SO AS TO EMPLOY THE PRESTIGE OF THE GOVERNMENT TO ENHANCE THAT OF A-PRIVATE ORGANIZATION. SUBSECTION (G)'S PROSCRIPTION AGAINST ANY FORM OF POLITICAL ACTIVITY IN A FOREIGN COUNTRY,HOWEVER, IS DIRECTED AT THE POLITICS OF SUCH A FOREIGN COUNTRY, NOT THOSE OF THE UNITED STATES.

7. THE TEXTS OF THE MEMORANDA FROM THE COUNSEL TO THE PRESIDENT CONTAIN MORE DETAILED INFORMATION ON RESTRICTIONS APPLICABLE TO AMBASSADORS AND SHOULD BE CAREFULLY STUDIED. UNDOUBTEDLY SPECIFIC CASES WILL-COME UP WHICH THE GUIDANCE DOES NOT ADDRESS. LEGAL ADVISER ROBINSON AND COUNSELOR DERWINSKI STAND READY TO PROVIDE ADDITIONAL ADVICE. PLEASE CONSULT WITH THEM WHENEVER QUESTIONS ARISE.

8. "RESTRICTIONS ON POLITICAL ACTIVITIES OF MBASSADORS" FEBRUARY 14, 1984 MEMORANDUM FOR DEPUTY-SECRETARY;DAM FROM FRED F. FIELDING, COUNSEL TO THE PRESIDENT.

BEGIN TEXT: THIS WILL RESPOND TO YOUR REQUEST FOR GUIDANCE REGARDING THE EXTENT TO WHICH MBASSADORS MAY BECOME INVOLVED IN POLITICAL CAMPAIGN ACTIVITIES.

BECAUSE THEY ARE PRESIDENTIAL APPOINTEES SUBJECT TO SENATE CONFIRMATION AND POSSESS "NATIONAL" POLICY-MAKING RESPONSIBILITIES, AMBASSADORS ARE NOT SUBJECT-TO THE RESTRICTIONS OF THE HATCH ACT PROHIBITING FEDERAL EMPLOYEES FROM ENGAGING IN PARTISAN POLITICAL ACTIVITIES. 5 U.S.C. 7324. NEVERTHELESS,-AS A MATTER OF LONG-STANDING TRADITION, IN THIS AND -PREVIOUS ADMINISTRATIONS, EMPLOYEES OF THE DEPARTMENTOF STATE, INCLUDING AMBASSADORS, HAVE BEEN DISCOURAGED FROM EXTENSIVE PARTICIPATION IN PARTISAN POLITICAL CAMPAIGNS. THAT TRADITION WAS BASED LARGELY ON THE HISTORICAL CONCEPT THAT AMERICAN FOREIGN POLICY SHOULD BE CONDUCTED IN A NON-PARTISAN MANNER. THUS, WHILE AMBASSADORS ARE-NOT PROHIBITED FROM ENGAGING IN PARTISAN POLITICAL ACTIVITIES, THE VERY NATURE OF THEIR RESPONSIBILITIES AS FEDERAL OFFICIALS NECESSITATES THAT THEY BE VERY CAREFUL NOT TOALLOW SUCH ACTIVITIES TO INTERFERE WITH THE EXECUTION OF OUR FOREIGN POLICY AND THEIR OFFICIAL RESPONSIBILITIES.

AMBASSADORS WISHING TO ENGAGE IN PARTISAN POLITICAL ACTIVITIES IN SUPPORT OF SPECIFIC CANDIDATES-SHOULD BE COGNIZANT OF THE FACT THAT THEY ARE FULL-TIMEFEDERAL-EMPLOYEES WHOSE FIRST RESPONSIBILITY IS-THE TIMELY AND SUCCESSFUL COMPLETION OF THEIR OFFICIAL DUTIES. HENCE, THEY SHOULD NOT TAKE VISIBLE OR ACTIVE MANAGEMENT POSITIONS IN A POLITICAL CAMPAIGN, E.G., THEY SHOULD NOT SERVE AS AN OFFICER OF A POLITICAL CAMPAIGN COMMITTEE, NOR SHOULD THEY SERVE AS A "FINANCE CHAIRMAN" OF A POLITICAL COMMITTEE. AMBASSADORS MAY, HOWEVER, ACT AS SURROGATE SPEAKERS FOR POLITICAL CANDIDATES (BUT SHOULD, AS A GENERAL POLICY, LIMIT THEIR REMARKS TO ISSUES RELATING TO FOREIGN POLICY), AND MAY, TO A LIMITED DEGREE, ENGAGE IN FUNDRAISING ACTIVITIES ON BEHALF OF SUCH CANDIDATES. (PAYMENT OF EXPENSES ASSOCIATED WITH ANY POLITICAL TRAVEL BY AMBASSADORS SHOULD BE MADE IN ACCORDANCE WITH THE GUIDELINES ISSUED BY THIS OFFICE AS DESCRIBED IN THE ATTACHED MEMORANDUM TO THE CABINET.)

AMBASSADORS ENGAGING IN THE PERMISSIBLE LIMITED CAMPAIGN ACTIVITIES DESCRIBED ABOVE SHOULD BE AWARE OF THE VARIOUS CRIMINAL STATUTES PROHIBITING THE USE OF FEDERAL PROGRAMS, PROPERTY, OR EMPLOYMENT FOR POLITICAL PURPOSES. THOSE STATUTES ARE SUMMARIZED BELOW. VIOLATIONS OF THESE CRIMINAL STATUTES ARE PUNISHABLE BY IMPRISONMENT AND/OR THE PAYMENT OF A SUBSTANTIAL FINE. ADDITIONALLY, ALLEGED VIOLATIONS OF THESE STATUTES BY AN AMBASSADOR MAY SUBJECT SUCH INDIVIDUAL TO INVESTIGATION AND POSSIBLE PROSECUTION BY A SPECIAL PROSECUTOR.

SOLICITATION OF CAMPAIGN CONTRIBUTIONS: SOLICITATION OF CAMPAIGN CONTRIBUTIONS FROM OR BY FEDERAL EMPLOYEES IS PROHIBITED, AS IS THE SOLICITATION OR RECEIPT OF CONTRIBUTIONS IN FEDERAL BUILDINGS OR ON FEDERAL PROPERTY.

USE OF OFFICIAL AUTHORITY: CRIMINAL STATUTES ALSO PROHIBIT A FEDERAL EMPLOYEE FROM USING HIS OR HER "OFFICIAL AUTHORITY FOR THE PURPOSE OF INTERFERING WITH, OR AFFECTING, THE NOMINATION OR THE ELECTION OF ANY CANDIDATE." THERE IS, HOWEVER, NO DEFINITIVE INTERPRETATION AS TO WHAT TYPES OF ACTIVITIES CONSTITUTE INTERFERENCE WITH OR AFFECTING THE RESULTS OF SUCH AN ELECTION. IF AN AMBASSADOR HAS ANY QUESTION AS TO WHETHER ANY ACTION HE OR SHE MAY TAKE WOULD BE PRECLUDED BY THESE LAWS, THE ACT SHOULD NOT OCCUR UNTIL THE AMBASSADOR HAS SOUGHT AND RECEIVED GUIDANCE EITHER FROM THE STATE DEPARTMENT LEGAL ADVISER OR FROM THE WHITE HOUSE COUNSEL.

THE FOLLOWING TYPES OF ACTIVITIES ARE PROHIBITED BY THESE LAWS:

--ONE FEDERAL EMPLOYEE DIRECTLY OR INDIRECTLY SOLICITING ANOTHER FEDERAL EMPLOYEE FOR A CAMPAIGN CONTRIBUTION.

--SOLICITATION OR RECEIPT OF CAMPAIGN CONTRIBUTIONS ON FEDERAL PROPERTY OR IN FEDERAL BUILDINGS. THIS;MEANS THAT FUNDRAISING EVENTS MAY NOT BE HELD IN EMBASSIES; THAT NO FUNDRAISING PHONE CALLS OR MAIL MAY-EMENATE;FROM A FEDERAL BUILDING; AND THAT NO CAMPAIGN CONTRIBUTIONS MAY BE RECEIVED IN A FEDERAL BUILDING.

--SOLICITING OR ACCEPTING A CAMPAIGN CONTRIBUTION OR CAMPAIGN SUPPORT IN EXCHANGE FOR A PROMISE TO APPOINT SOMEONE TO A FEDERAL JOB.

--PROMISING OR WITHHOLDING FEDERAL BENEFITS (JOBS, GRANTS, CONTRACTS, ETC.) BASED ON POLITICAL SUPPORT OR NON-SUPPORT.

--PENALIZING EMPLOYEES OR WITHHOLDING EMPLOYMENT IN ORDER TO INDUCE SOMEONE TO MAKE A POLITICAL CONTRIBUTION OR OTHERWISE PARTICIPATE IN POLITICAL ACTIVITY.

POLITICAL CONTRIBUTIONS TO THE PRESIDENT'S CAMPAIGN COMMITTEE:

FINALLY, EACH AMBASSADOR SHOULD BE INFORMED OF THE RESTRICTIONS OF 18 U.S.C. 603 PROHIBITING -AN OFFICER OR EMPLOYEE OF THE UNITED STATES OR ANYONE RECEIVING ANY SALARY OR COMPENSATION FROM THE UNITED -STATES FROM MAKING A POLITICAL CONTRIBUTION TO THE AUTHORIZED CAMPAIGN COMMITTEE OF HIS "EMPLOYER OR EMPLOYING AUTHORITY." QUITE FRANKLY, THE APPLICATION OF THE LAW TO ALL FEDERAL GOVERNMENT EMPLOYEES IS NOT CLEAR, AND-SUCH AN-- INTERPRETATION MAY BE UNCONSTITUTIONAL. HOWEVER, IN THE FACE OF THIS UNCERTAINTY, AS A MATTER OF POLICY WE ARE SUGGESTING THAT NO AMBASSADORS MAKE PERSONAL CONTRIBUTIONS TO THE PRESIDENT'S AUTHORIZED-POLITICAL COMMITTEE (REAGAN-BUSH '84). THIS RESTRICTION-IS PERSONAL TO THE AMBASSADOR AND DOES NOT APPLY TOHIS OR HER SPOUSE OR FAMILY, AND IS ONLY APPLICABLE TO REAGAN-BUSH '84.

I HOPE THIS INFORMATION IS USEFUL TO YOU; THE WHITE HOUSE COUNSEL'S OFFICE IS AVAILABLE TO ANSWER ANY QUESTION ON- THE LEGALITY OR PROPRIETY OF THE ACTIVITIES DISCUSSED ABOVE. END TEXT.

9. FOLLOWING IS THE TEXT OF THE SUMMARY GUIDELINES DATED JUNE 10, 1982, WHICH WAS APPENDED TO THE MEMORANDUM FOR-

THE CABINET REFERRED TO IN THE FOREGOING GUIDANCE FROM THE COUNSEL TO THE PRESIDENT. BEGIN TEXT: SUMMARY GUIDELINES

GENERAL LEGAL PRINCIPLES

(1) APPROPRIATED FUNDS AND GOVERNMENT RESOURCES SHOULD NOT BE USED FOR PARTISAN POLITICAL PURPOSES.

(2) THE COST OF POLITICAL TRAVEL BY ADMINISTRATION OFFICIALS MAY NOT BE PAID FROM APPROPRIATED FUNDS NOR MAY GOVERNMENT CREDIT BE USED FOR THIS PURPOSE.

(3) TRANSPORTATION AND RELATED TRAVEL EXPENSES ON A WHOLLY POLITICAL TRIP MUST BE PAID BY THE SPONSORING POLITICAL GROUP OR CAMPAIGN COMMITTEE.

(4) TRANSPORTATION AND RELATED TRAVEL EXPENSES ON A MIXED TRIP -- I.E., ONE THAT CONTAINS BOTH OFFICIAL AND POLITICAL EVENTS -- SHOULD BE REASONABLY ALLOCATED BETWEEN THE GOVERNMENT AND THE SPONSORING POLITICAL GROUP OR CAMPAIGN COMMITTEE.

(5) ONLY THOSE ADMINISTRATION OFFICIALS WHO ARE NOT HATCHED MAY ENGAGE IN PARTISAN POLITICAL OR CAMPAIGN ACTIVITY. OUTSIDE THE WHITE HOUSE, ONLY PRESIDENTIAL APPOINTEES SUBJECT TO SENATE CONFIRMATION ARE NOT HATCHED.

POLITICAL TRAVEL

(1) UNLESS TRAVELING WITH THE PRESIDENT OR VICE PRESIDENT, GOVERNMENT AIRCRAFT SHOULD NOT BE USED ON

WHOLLY POLITICAL TRIPS. (IF SPECIFIC CIRCUMSTANCES SURROUNDING THE OFFICIAL DUTIES OF A TRAVELER SUGGEST THE NEED TO USE A GOVERNMENT AIRCRAFT ON A PARTICULAR POLITICAL TRIP, SUCH USE MUST BE APPROVED IN ADVANCE BY THE OFFICE OF THE COUNSEL TO THE PRESIDENT.)

(2) ALL TRANSPORTATION AND RELATED TRAVEL EXPENSES MUST BE PAID BY THE POLITICAL SPONSOR OR CAMPAIGN COMMITTEE. GOVERNMENT TRAVEL REQUESTS (GTR'S), GOVERNMENT TRAVEL ADVANCES AND GOVERNMENT CREDIT CARDS MUST NOT BE USED.

ANY BILLS FROM PROVIDERS OF TRANSPORTATION, HOUSING OR OTHER EXPENSES SHOULD BE SENT DIRECTLY TO THE POLITICAL SPONSOR OR CAMPAIGN COMMITTEE, NOT THE GOVERNMENT DEPARTMENT OR AGENCY.

IF SUCH BILLS ARE RECEIVED BY AN AGENCY, THE BILL SHOULD IMMEDIATELY BE FORWARDED TO THE APPROPRIATE POLITICAL

SPONSOR OR CAMPAIGN COMMITTEE AND A LETTER SENT TO THE VENDOR FROM THE DEPARTMENT OR AGENCY, -NOTING-THAT THE- BILL IS NOT A GOVERNMENT OBLIGATION AND THAT IT HAS --" FORWARDED TO THE APPROPRIATE -POLITICAL -SPONSOR OR -- CAMPAIGN COMMITTEE.

(3) EXPENSES PAID BY THE REPUBLICAN NATIONAL COMMITTE" (RNC) FOR TRAVEL BY ANY INDIVIDUAL IN SUPPORT OF SPECIFIC IDENTIFIABLE FEDERAL CANDIDATES ARE IN KIND CONTRIBUTIONS TO, OR COORDINATED EXPENDITURES FOR, THE CANDIDATES AN WOULD APPLY AGAINST THE RNC'S CONTRIBUTION AND - EXPENDITURE LIMITATIONS FOR THOSE FEDERAL CANDIDATES. IF A TRIP OR PORTION THEREOF IS ON BEHALF OF A SPECIFIC IDENTIFIABLE FEDERAL CANDIDATE, THE ESTIMATED SHARE OF SUCH EXPENSES WHICH ARE REASONABLY ALLOCABLE TO A PARTICULAR CAMPAIGN MUST BE PAID-BY CHECK OR SIMILAR DRAFT AND IN ADVANCE BY THE APPROPRIATE CAMPAIGN - COMMITTEE IN ORDER THAT APPROPRIATED-FUNDS NOT BE USED FOR POLITICAL PURPOSES AND THAT THE RNC NOT INADVERTANTLY VIOLATE CONTRIBUTION OR EXPENDITURE LIMITATIONS FOR - - INDIVIDUAL CANDIDATES. BECAUSE OF-THESE RESTRICTIONS,

THE RNC CANNOT AND WILL NOT ASSUME FINANCIAL , RESPONSIBILITY FOR POLITICAL TRIPS OF WHICH IT HAS NOT HADADVANCE NOTICE, AN OPPORTUNITY TO COORDINATE AND TO ORGANIZE APPROPRIATE EXPENSE PAYMENTS. POLITICAL OR MIXED OFFICIAL/POLITICAL TRAVEL WHICH CONTAINS EVEN A SINGLE CANDIDATE-RELATED EVENT MUST BE CLOSELY - - COORDINATED WITH THE RNC WELL IN ADVANCE -OF-THE SCHEDULED TRIP. --- -- SCHEDULED

(4) DEPARTMENT OR AGENCY SCHEDULERS WHO ARE HATCHED MAY HANDLE THE LOGISTICS OF THEIR PRINCIPAL'S PARTICIPATION IN POLITICAL AND CAMPAIGN-RELATED EVENTS; HOWEVER, THEY SHOULD NOT DO ANYTHING TO ASSIST IN ORGNIZING OR,SETTING UP THE POLITICAL EVENT. END TEXT. SHULTZ

Question: For the record, please indicate any program enhancements or new facilities requested for the countries where the 22 ambassadors serve.

Answer: The program enhancements and new facilities requested in the 1986 budget for the countries where these 22 ambassadors serve are as follows:

I. Program Enhancements - Reporting and Analysis

Country	New Positions
Barbados	3
Canada	1
Colombia	1
Equatorial Guinea	2
France	4
Korea	1
Madagascar	2
Mexico	2
Total	16

II. New Facilities

Country	Facility	Cost
Jamaica	Development of architectural and engineering plans for new Chancery	$1,360,000

Security Supplemental

QUESTION: Mr. Spiers, over the years I have processed several supplementals for security. In the past, we have always been frustrated by the delays in obligating the money after it was appropriated. Last year, we gave you only the $110,200,000 requested but by imposing a monthly reporting requirement, I believe we're getting a better response. Do you agree?

ANSWER: Yes, our response time for obligating appropriated funds for security has improved significantly. Not only has the monthly reporting requirement contributed to this improvement, but as we have said to various Congressional Committees, it is no longer business as usual regarding overseas and domestic security of Departmental personnel and facilities.

QUESTION: After the second Beirut bombing, the Secretary held daily security meetings. Is that still the routine, or just how is the security situation being managed?

ANSWER: The Secretary of State continues to hold daily security meetings with the Under Secretary for Management, the Assistant Secretary for Administration and Security, the Director for Counter Terrorism and Emergency Planning, and the Principal Deputy Assistant Secretary for Security. This arrangement will continue indefinitely.

QUESTION: Last year we provided 130 additional security positions in the supplemental. An additional 58 are sought in the pending supplemental requests, as well as 141 more in the 1986 request. That is an overall increase of 329, if approved.

Based on current threat levels, where does that put us towards achieving optimum staffing levels?

ANSWER: With the positions received under the FY 1985 Security Supplemental and with the positions requested in our FY 1986 budget, we will have sufficient positions to respond to current security requirements.

QUESTION: On Page 4 of the justifications, it is stated, "in some areas of the world, we do not have security officers assigned to high threat posts."

--What high threat posts do not have security officers?

--Why haven't these high threat posts been covered by reassignments from lower threat posts?

ANSWER: Currently, 14 of the 16 posts in the critical threat category are staffed with full time security officers. By the summer of 1985, every high threat embassy will be assigned an RSO.

The threat level at posts can change rapidly. Therefore, rather than reassign officers from medium or low threat posts to high threat posts, we are opening new offices at the locations where they are required.

QUESTION: An Assistant RSO is requested for Geneva. Is this request due to the renewal of the Arms Reduction Talks? If not, just how is the security of the arms negotiations being covered?

ANSWER: The request from Geneva for an Assistant RSO is due in part to the increased workload resulting from the Arms Reductions Talks. Overall security for the talks is the responsibility of the RSO. He is assisted in this effort by an officer of the U.S. Arms Control and Disarmament Agency.

QUESTION: The justifications (P. 7) indicate that Moscow and Beijing are slated for the new computer-assisted Marine Security Guard control booth. Is it my impression that the terrorism threat was fairly low in these cities. Why don't you believe that Athens, Cairo, and a lot of other places are a lot more volatile locations and have a higher priority for this improvement?

ANSWER: The posts in the 1985 Security Supplemental slated to get new Marine Security Guard control booths are a representative list of posts requiring all types of security protection. This protection is not only to guard against specific acts of terrorism, but is also to prevent clandestine entry by hostile interests -- which is the case in Moscow and Beijing. Nevertheless, the Department is constantly reassessing the highest security threat posts, and the list on page 7 of the security supplemental could well change based on new developments.

In the case of Cairo, a new chancery is being constructed. As a result, the Department is not yet ready to install such a post. When construction of the chancery nears completion, a new Marine Security Guard control booth will be added.

Regarding Athens, the present Marine Security Guard facility appears to be doing an adequate job. However, we will reassess the security situation in Athens this Fall and take appropriate action concerning installation of a security control both then.

KUWAIT

Question: The justification for the new office building for Kuwait states that it was originally "proposed to obtain an adequate site with funds received from a 'buy-back' arrangement" with the owner of the current site. Are you telling us that this is no longer possible. If yes, why?

Answer: The Department is still proposing to receive buy-back funds from the owner of the current site. However, the timing is such that if the buy-back takes place it would not be soon enough to enable us to use the funds to cover the proposed site acquisition. It is expected that buy-out negotiations will require several years to reach final agreement. Therefore, funds to purchase the required site were requested in the FY 85 supplemental program.

REWARDS

Question: Last year we appropriated $1,000,000 for rewards for information about terrorist activities. As of February 28, none of the money was used. Could we not forego the $4,000,000 for rewards for the supplemental request?

Answer: No. The reason that no funds have been obligated for this program as yet is because the Department wants to ensure that careful procedures are developed for the implementation of the program. The Department is seeking the full authorized amount because it is essential that enough funds be available for the USG to act if critical information is to be obtained. It is impossible to predict the frequency and size of rewards to be granted annually.

Question: The rewards funds are included in the emergencies in the diplomatic and consular service. This is an unvouchered account. Are we assured that the amounts for rewards are separately maintained and won't be used for other purposes?

Answer: Yes. Funds appropriated for use in carrying out the rewards program will be incorporated into the confidential funds ("The Emergencies in the Diplomatic and Consular Service Appropriation"), and fiscal responsibility and accountability for such moneys will remain with the office that handles that fund. That office will also be responsible for instituting appropriate financial controls, including such controls as may be necessary to maintain the confidentiality of payments within the framework of internal control and audit requirements.

Panama Canal Studies

Last year the committee provided for the studies necessary towards a new sea-level canal across Panama.

Question:

What is the status of the efforts to build the new Canal?

Answer:

The Preparatory Committee of the Panama Canal Alternative Study reached a preliminary agreement on most of the technical issues at their November-December meeting in Tokyo. This included agreement on study content, study organization and study budget. The U.S. and Japan have reached an agreement on their share of the study cost; both have budgeted first-year funds in their FY-85 budget and are now awaiting a Panamanian decision on its share. There are indications that the Government of Panama, despite preoccupation with its serious fiscal and economic crisis, has recently made the fundamental decision to proceed with the study, and to obtain the necessary agreements and commence the study this year. Since we are discussing a study of four or five years' duration, it would be premature to anticipate the recommended outcome.

Question: How much is budgeted for this effort in FY-86 and where is it budgeted?

Answer: Two millions dollars for the second-year contribution to the Panama Canal Studies is included within the base estimate for the Inter-American Affairs Bureau in FY-86. It is projected that this amount will be non-recurred in FY-88 after the study is completed.

U.S. Peace Institute

Last year, Congress included a provision in DOD Authorization Act (P.L. 98-525) establishing the U.S. Peace Institute. This was long sought by former Senator Jennings Randolph and we appropriated $4,000,000 for the Institute's 1985 operations.

Background

Congress attached to last year's Defense Authorization Act provisions creating a United States Institute of Peace as an independent government-supported entity. Its purpose was to engage in training, research and private support of means to reduce international conflict. $16 million was authorized and $4 million appropriated. The Institute was to be guided by a 15 member Board of Directors including, ex officio, the Secretary of State, the Secretary of Defense, the President of the National Defense University and the Director of ACDA. By April 20, 11 public members were to be nominated by the President for Senate confirmation. The Institute was authorized access to classified information. No restrictions were placed on permission to disseminate information or to enter into contact or negotiation with foreign entities or governments.

The Department has drafted amending legislation which has interagency clearance and is now awaiting final OMB approval.

The legislation would regulate the conditions under which the Institute may receive and disseminate classified information and enter into contact or negotiate with foreign governments or international organizations. The legislation names the Secretary of State, or his designee, as Chairman of the Board, and adds the Director of the Foreign Service Institute, thus reducing the number of public members to be nominated by the President to 10. It also eliminates the anomaly in the Act which would require the military officer heading the National Defense University or any career designee of an ex officio member from having to declare his or her political affiliation.

Question:

The Law requires the President to nominate, by April 20, 15 members of the Institute's Board of Directors. When does the Administration plan to nominate the directors as April 20 is getting close?

Answer:

The Administration has very much in mind the responsibility of the President to nominate a number of public members to the Board of Directors of the Peace Institute established by Congress last year. There are, however, certain changes in the legislation which we believe important to assure that the procedure is suitable and that the Institute function in an effective and appropriate manner as an independent U.S. government entity. These proposals were forwarded to the Congress and we hope that they will be acted upon promptly. Although the proposals impact on the nominations process, the President is currently considering a number of candidates for these positions and will soon submit their names to the Congress for their confirmation.

Question:

The Appendix to the budget indicates that only $1,000,000 of the $4,000,000 is expected to be obligated in Fiscal 1985, with the balance carried over to next year. Furthermore, no additional funds are sought, so it does not appear that the Administration is enthusiastic about the Institute.

According to a December 16, 1984 article in the Washington Post, the Assistant to the President for National Security Affairs (Robert C. McFarlane) has directed the NSC Staff to redesign the Institute. What can you tell us about the Administration's plans for the Institute?

Answer:

There are many steps which must be taken before a Board can be constituted, space acquired, officers and staff appointed and the institute placed in a position to expend funds. It is in everyone's interest that these steps be carefully considered. A million dollars is a significant amount of money to be spent on research and training and there are already less than six months left in the fiscal year. In view of everyone's interest in reducing budget expenditures, this limitation is a prudent step. After the Institute has become established and expended its initial funds, we will see how to meet its further needs.

Question:

Professor Roger Fisher, of Harvard Law School, has long been interested in the institute. He has proposed that the Institute should educate those involved in our international affairs on how to better communicate with the Soviets, and other U.S. adversaries. He suggested that the Institute provide such training to students at West Point, Annapolis, and the Air Force Academy. Should not such training also be afforded the cadets at the Citadel?

Answer:

That is the kind of question which we should think the officers of the institute itself would want to consider.

FOOD AND AGRICULTURAL ORGANIZATION

QUESTION:

There is much concern that the Reagan Administration has now targeted the Food and Agricultural Organization as the next U.S. withdrawal target. Is the Administration planning for the U.S. to pull out of the FAO or any other international organization?

ANSWER:

We have no plans to withdraw from FAO. The FY 1986 budget proposed to Congress provides for continued U.S. membership in the organization. We continue to participate in and contribute to a large number of multilateral organizations and there are no current plans to withdraw from any other major international body. We do, however, continue to subject our participation in all international organizations to close scrutiny and review.

Question:

What accounts for the $11,894,000 prior year surpluses we have built up with FAO? Have you checked to make sure we don't have surpluses with the other international organizations?

Answer:

The $11,894,000 represents the U.S. share of the surplus generated from FAO's 1982-83 biennium. The surplus resulted from favorable exchange rate gains and to a lesser extent from interest earned on investments and savings from expenditures being less than budgeted for some programs and activities.

Because our fiscal year 1986 request will fund our calendar year 1985 obligations to the major organizations, all expected 1982-83 surpluses have been factored into our estimates.

Lebanon: UNIFIL

Q. The sum of $ 39,981,000 is requested as the U.S. share of the costs of the United Nations Interim Force in Lebanon (UNIFIL). The justifications indicate that the first purpose of UNIFIL is to "restore international peace and security in southern Lebanon." What has UNIFIL contributed to restoring peace and security in southern Lebanon, particularly since over the last two years if has been located behind Israeli lines?

A. Since its creation in 1978, UNIFIL has worked to restore peace and security in southern Lebanon, facilitate the resoration of Lebanese sovereignty throughout Lebanon, and oversee the full withdrawal of Israeli forces. UNIFIL remains a tangible symbol of continuing international support for those goals, and concern for the future of southern Lebanon. The USG endorses those goals wholeheartedly. We recognize that attaining them will also promote the long-term security of Israel's northern border.

The United States believes that, despite handicaps arising primarily from UNIFIL's location behind Israeli lines -- a positioning that will in any event change with completion of the Israeli withdrawal -- the force continues to promote stability in southern Lebanon. UNIFIL's patrols, manning of posts, and on-site mediation of disputes between the local population and the occupation forces provide a sense of security and contribute to the maintenance of law and order in southern Lebanon. The Government of Lebanon, the troop contributors to UNIFIL, the Security Council, and the vast majority of the world community share this view.

Q. With the U.S. budget as tight as it is this year, why does the Administration allocate nearly $ 40,000,000 on the "potential" of UNIFIL, and ask us to forego almost that amount for U.S. coastal zone management activities?

A. Peace and security in southern Lebanon are fundamental to achieving our ultimate goal of a just and lasting settlement of the basic Mideast dispute. As noted above, UNIFIL, even in its current configuration, contributes to that goal. We are working with others to realize its potential for a greater contribution. The value of UNIFIL must also be measured by the alternatives to it: we are convinced that a southern Lebanon without UNIFIL would be more destablizing to the interests of all concerned. The Government of Lebanon, the troop contributors, and most of the world community share our determination to make UNIFIL a more effective peacekeeping force. Our budget request is commensurate both with the importance of the work UNIFIL performs and with its potential to make a greater contribution to a peace in the Middle East.

Category I - 39 positions

	Bureau of African Affairs - 7 positions	S&E Costs	FBO Costs	Total
1	Antananarivo, Madagascar - Political Secretary	$68	$62	$130
2	Enugu, Nigeria - Principal Officer	120	62	182
3	Nouakchoutt, Mauritania - Political Secretary	71	62	133
4	Khartoum, Sudan - Political/Economic Officer	47	62	109
5	Kinshasha, Zaire - Economic Officer	94	62	156
6	Maputo, Mozambique - Political Secretary	66	62	128
7	Maputo, Mozambique - Political Officer	71	62	133
	Bureau of Inter-American Affairs - 6 positions			
1	Bridgetown, Barbados - Political Officer	88	40	128
2	Bridgetown, Barbados - Political Officer	88	40	128
3	Paramaribo, Suriname - Economic Officer	108	40	148
4	ARA/ECP - Economic Officer	77	--	77
5	Santiago, Chile - Economic Officer	108	40	148
6	Bogota, Colombia - Political Officer	68	40	108
	Bureau of East Asian and Pacific Affairs - 7 positions			
1	Tokyo, Japan - Science Officer	86	49	135
2	Jakarta, Indonesia - Science Officer	108	49	157
3	Kuala Lumpur, Malaysia - Economic Officer	89	49	138
4	Manila, Philippines - Political Officer	70	49	119
5	EAP/K - Economic Officer	37	--	37
6	London-based Political/Economic Officer	91	49	140
7	Hong Kong - Political Secretary	59	49	108
	Bureau of European and Canadian Affairs - 7 positions			
1	Thessaloniki, Greece - Political Officer	75	67	142
2	Ankara, Turkey - Political Officer	74	67	141
3	Ottawa, Canada - Political Officer	66	67	133
4	The Hague, Netherlands - Political/Labor Officer	79	67	146
5	Sofia, Bulgaria - Political Officer	69	67	136
6	Helsinki, Finland - Economic Secretary	68	67	135
7	Hamilton, Bermuda - Political/Economic Officer	69	67	136
	Bureau of Near Eastern and South Asian Affairs - 6 positions			
1	Baghdad, Iraq - Political Officer	87	28	115
2	Kuwait, Kuwait - Political Officer	94	28	122
3	Dubai, U.A.E. - Political Officer	95	28	123
4	Baghdad, Iraq - Executive Secretary	79	28	107
5	Calcutta, India - Political Officer	81	28	109
6	Colombo, Sri Lanka - Political Officer	63	28	91
	Bureau of Ecnomic and Business Affairs - 1 position			
1	EB/TDC/OT/TEX - Economic Officer	37	--	37
	Bureau of Intelligence and Research - 5 positions			
1	Greece/Cyprus Affairs - Political Officer	28	--	28
2	Political/Military Trends - Political Officer	33	--	33
3	East European Economic Affairs - Economic Officer	28	--	28
4	Nuclear Weapons Affairs - Political Officer	36	--	36
5	Political/Military Research Assistant	13	--	13
	Totals - Category I	$2,788	$1,565	$4,353

Category II - 39 positions

Bureau of African Affairs - 7 positions	S&E Costs	FBO Costs	Total
1 Monrovia, Liberia - Economic Officer	$95	$62	$157
2 Lagos, Nigeria - Economic Officer	71	62	133
3 Bissau, Guinea-Bissau - Political/Economic Officer	161	62	223
4 Malabo, Equitorial Guinea - Amb. Secretary	142	62	204
5 Djibouti, Djibouti - Political/Economic Officer	105	62	167
6 Kampala, Uganda - DCM Secretary	95	62	157
7 Conakry, Guinea - Economic/Political Officer	97	62	159
Bureau of Inter-American Affairs - 5 positions			
1 Bridgetown, Barbados - Political Secretary	96	40	136
2 ARA/AND - Economic Officer	77	--	77
3 ARA/SC - Economic Officer	77	--	77
4 Martinique, F.W.I. - Political Officer	108	40	148
5 ARA/CEN - Political Officer	62	--	62
Bureau of East Asian and Pacific Affairs - 7 positions			
1 Wellington, New Zealand - Economic Secretary	67	49	116
2 Rangoon, Burma - Political Officer	95	49	144
3 Rangoon, Burma - Political/Economic Secretary	73	49	122
4 EAP/TB - Economic Secretary	15	--	15
5 Beijing, China - Science Officer	78	49	127
6 EAP/J - Political Officer	43	--	43
7 Singapore, Singapore - Political/Economic Officer	79	49	128
Bureau of European and Canadian Affairs - 7 positions			
1 The Vatican - DCM Secretary	65	67	132
2 Ankara, Turkey - Political Officer	77	67	144
3 Paris, France - Economic Officer	69	67	136
4 Budapest, Hungary - Economic Officer	74	67	141
5 Ankara, Turkey - Economic Secretary	61	67	128
6 The Hague, Netherlands - Political Secretary	65	67	132
7 Budapest, Hungary - Political Secretary	61	67	128
Bureau of Near Eastern and South Asian Affairs - 6 positions			
1 Kathmandu, Nepal - Economic Officer	71	28	99
2 NEA/RA - Political/Military Officer	34	--	34
3 Jerusalem - Political/Economic Officer	61	28	89
4 Tel Aviv, Israel - Economic Officer	67	28	95
5 Bombay, India - Political Officer	90	28	118
6 Colombo, Sri Lanka - Economic Officer	96	28	124
Bureau of Economic and Business Affairs - 1 position			
1 EB/ITC/EWT/STC - Economic Officer	37	--	37
Bureau of Intelligence and Research - 5 positions			
1 Special Analyst - ARA	$51	$40	$91
2 Special Analyst - EUR	51	67	118
3 Special Analyst - NEA	51	28	79
4 Special Analyst - AF	51	62	113
5 Special Analyst - EAP	51	49	100
Bureau of Political-Military Affairs - 1 position			
1 PM/SNP - Political/Military Officer	31	--	31
Totals - Category II	$2,850	$1,614	$4,464

Category III - 39 positions

	S&E Costs	FBO Costs	Total
Bureau of African Affairs - 7 positions			
1 Cotonou, Benin - Economic Officer	$86	$62	$148
2 Antananarivo, Madagascar - Political Officer	127	62	189
3 Durban, South Africa - Political Officer	124	62	186
4 AF/RA - Political Officer	27	--	27
5 Kampala, Uganda - Economic Officer	111	62	173
6 Brazzaville, Congo - DCM Secretary	92	62	154
7 Libreville, Gabon - Political/Economic Officer	92	62	154
Bureau of Inter-American Affairs - 5 positions			
1 Antigua - Political Officer	128	40	168
2 Santiago, Chile - Political Officer	108	40	148
3 ARA/CEN - Political Secretary	19	--	19
4 Mexico City, Mexico - Economic Officer	108	40	148
5 Guadalajara, Mexico - Economic Officer	108	40	148
Bureau of East Asian and Pacific Affairs - 7 positions			
1 Jakarta, Indonesia - Political/Economic Officer	81	49	130
2 Canberra, Australia - Political Secretary	70	49	119
3 Port Moresby, Papua New Guinea - Political Officer	104	49	153
4 Beijing, China - Political/Military Officer	93	49	142
5 Kuala Lumpur, Malaysia - Economic Secretary	75	49	124
6 Manila, Philippines - Economic Officer	69	49	118
7 Tokyo, Japan - Political Officer	80	49	129
Bureau of European and Canadian Affairs - 6 positions			
1 Frankfurt, FRG - Political/Economic Officer	76	67	143
2 EUR/SOV - Political Officer	39	--	39
3 USOECD - Economic Secretary	65	67	132
4 Madrid, Spain - Political/Military Officer	75	67	142
5 Stuttgart, FRG - Political/Economic Officer	70	67	137
6 Moscow, USSR - Science Officer	79	67	146
Bureau of Near Eastern and South Asian Affairs - 6 positions			
1 Tunis, Tunisia - Economic Officer	63	28	91
2 Colombo, Sri Lanka - Political Secretary	81	28	109
3 Islamabad, Pakistan - Economic Officer	68	28	96
4 Islamabad, Pakistan - Political Secretary	65	28	93
5 New Delhi, India - Political Officer	63	28	91
6 Amman, Jordan - Political Officer	63	28	91
Bureau of Economic and Business Affairs - 2 positions			
1 EB/ITC/EWT/STC - Economic Secretary	16	--	16
2 EB/TT/OA/AN - Economic Officer	37	--	37
Bureau of Intelligence and Research - 4 positions			
1 Soviet Active Measures - Political Officer	32	--	32
2 Soviet Internal Affairs - Political Officer	21	--	21
3 Econometrician	33	--	33
4 Mid-East Regional Military Affairs - Political Officer	31	--	31
Bureau of Political-Military Affairs - 1 position			
1 PM/STN - Political/Military Officer	31	--	31
Bureau of Oceans and International Environmental and Scientific Affairs - 1 position			
1 OES/SCT - Political Officer	28	--	28
Totals - Category III	$2,738	$1,378	$4,116

Category IV - 31 positions

Bureau of African Affairs - 5 positions	S&E Costs	FBO Costs	Total
1 Djibouti, Djibouti - Political Secretary	$103	$62	$165
2 Freetown, Sierra Leone - DCM Secretary	93	62	155
3 Bangui, C.A.R - DCM Secretary	80	62	142
4 Dar-es-Salaam, Tanzania - FSN Political Assistant	62	--	62
5 Malabo, Equitorial Guinea - Political Officer	178	62	240
Bureau of Inter-American Affairs - 4 positions			
1 Santo Domingo, Dominican Republic - FSN Political Assistant	28	--	28
2 Antigua - FSN Political Assistant	21	--	21
3 Paramaribo, Suriname - FSN Political Assistant	27	--	27
4 Port-of-Spain, Trinidad - Economic Officer	105	40	145
Bureau of East Asian and Pacific Affairs - 6 positions			
1 Tokyo, Japan - Political/Military Secretary	72	49	121
2 Seoul, Korea - Economic Secretary	81	49	130
3 Melbourne, Australia - Political/Economic Officer	83	49	132
4 Cebu, Philippines - Political/Economic Officer	75	49	124
5 EAP/PHL - Political Officer	37	--	37
6 Manila, Philippines - Political Secretary	61	49	110
Bureau of European and Canadian Affairs - 5 positions			
1 Warsaw, Poland - FSN Economic Assistant	13	--	13
2 Strasbourg, France - FSN Political Secretary	25	--	25
3 Lisbon, Portugal - FSN Political/Labor Assistant	29	--	29
4 Madrid, Spain - Economic Officer	69	67	136
5 Paris, France - Science Officer	84	67	151
Bureau of Near Eastern and South Asian Affairs - 5 positions			
1 Casablanca, Morocco - Economic Officer	79	28	107
2 Manama, Bahrain - Economic Officer	64	28	92
3 Manama, Bahrain - Economic Secretary	55	28	83
4 Cairo, Egypt - Staff Assistant	64	28	92
5 Manama, Bahrain - FSN Political/Military Assistant	17	--	17
Bureau of Economic and Business Affairs - 1 position			
1 EB/TDC/OT/STA - Economic Officer	36	--	36
Bureau of Intelligence and Research - 4 positions			
1 Analysis Evaluation Officer	33	--	33
2 International Labor Officer	31	--	31
3 Caribbean Affairs Officer	31	--	31
4 Gulf States Energy Affairs - Economic Officer	31	--	31
Bureau of Political-Military Affairs - 1 position			
PM/STN - Political/Military Secretary	15	--	15
Totals - Category IV	$1,782	$779	$2,561

Category V - 28 positions

Bureau of African Affairs - 6 positions			
1 Banjul, The Gambia - Political/Economic Officer	$73	$62	$135
2 AF/S - Political Officer	45	--	45
3 N'Djamena, Chad - DCM Secretary	87	62	149
4 Lilongwe, Malawi - DCM Secretary	66	62	128
5 Lagos, Nigeria - FSN Economic Assistant	18	--	18
6 Lagos, Nigeria - FSN Political Assistant	18	--	18

	S&E Costs	FBO Costs	Total
Bureau of Inter-American Affairs - 4 positions			
1 Rio de Janiero, Brazil - FSN Political Assistant	25	--	25
2 Belize City, Belize - Economic Officer	103	40	143
3 Buenos Aires, Argentina - Political/Economic Officer	66	40	106
4 Caracas, Venezuela - Economic Officer	127	40	167
Bureau of East Asian and Pacific Affairs - 5 positions			
1 Osaka-Kobe, Japan - Economic/Political Officer	86	49	135
2 EAP/J - Economic Secretary	15	--	15
3 Shenyang, China - Political Officer	83	49	132
4 Suva, Fiji - FSN Economic/Political Secretary	9	--	9
5 Wellington, New Zealand - Political/Economic Officer	74	49	123
Bureau of European and Canadian Affairs - 4 positions			
1 Moscow, USSR - Political Secretary	65	67	132
2 Brussels, Belgium - FSN Political Assistant	36	--	36
3 Paris, France - FSN Political Assistant	34	--	34
4 Belgrade, Yugoslavia - FSN Science Assistant	16	--	16
Bureau of Near Eastern and South Asian Affairs - 4 positions			
1 Baghdad, Iraq - FSN Political Assistant	14	--	14
2 Islamabad, Pakistan - FSN Political Assistant	6	--	6
3 Algiers, Algeria - FSN Political Assistant	17	--	17
4 Calcutta, India - FSN Political Secretary	5	--	5
Bureau of Economic and Business Affairs - 1 position			
1 EB/ITC/EWT/FPC - Economic Officer	37	--	37
Bureau of Intelligence and Research - 4 positions			
1 Vietnam and Kampuchea Affairs - Political Officer	31	--	31
2 African Affairs - Political/Economic Officer	31	--	31
3 Chinese Internal Affairs - Political Officer	31	--	31
4 Canada/Benelux Affairs - Political Officer	24	--	24
Totals - Category V	$1,242	$ 520	$ 1,762
Overall Totals	$11,400	$5,856	$17,256

Question

1. Do you have, for the record, a listing similar to one found on pages 804 to 807 of our 1985 hearings that shows the priority order of the 176 additional positions for reporting and analysis?

Answer

The following is a list of the 176 reporting and analysis positions ranked by category. While positions within each bureau request are listed in priority order, no comparative bureau-to-bureau priorities have been established within the five categories. In summary, the request is as follows:

(dollars in thousands)

Category	Positions	S&E Costs	FBO Costs	Total
I	39	$2,788	$1,565	$4,353
II	39	2,850	1,614	4,464
III	39	2,738	1,378	4,116
IV	31	1,782	779	2,561
V	28	1,242	520	1,762
Total	176	$11,400	$5,856	$17,256

Question

2. Last year Congress approved 95 of the 135 additional positions requested for R and A. With respect to the information printed in last year's hearings:

-- How many of the 95 positions were listed in Categories I through V?

Answer

The 95 positions were in Category I (31), Category II (36), and Category III (28).

According to information supplied the Subcommittee, 44 of the 95 R&A positions approved for fiscal 1985 were not part of the original request of 135. That represents a reprogramming of 33%.

Question: We were told last year that the 135 positions requested last year were the result of "exhaustive internal and interagency reviews." Why then did we miss the target by a third?

Answer: Forty-four of the R&A positions approved for fiscal 1985 were reprogrammed because Reporting and Analysis priorities had shifted in the approximately 18 months that had lapsed between the time we assembled the list and the time we were in a position to allocate the 95 positions.

Question: Is the location of the 176 R&A positions requested for FY 1986 any more solid than last year?

Answer: The 176 positions requested represented our most urgent requirements at the time the President's budget was transmitted to Congress.

There were 135 R&A positions requested in the FY 84 R&A Supplemental. Congress approved 95 positions and disapproved 40 positions. Of the 95 approved positions, 51 were established as originally allocated to the bureaus and 44 were reprogrammed to meet other R&A needs. Of the 95 established positions, 83 positions are filled.

DISTRIBUTION OF 95 ESTABLISHED
REPORTING AND ANALYSIS POSITIONS

	DOMESTIC		OVERSEAS			
	OFFICERS	SECRETARIES	OFFICERS	SECRETARIES	FSN's	TOTALS
INR	20					20
EB	1					1
PM	1	1				2
OES			1			1
EUR			12	2	3	17
ARA	1		4	1	2	8
EAP	2	2	14	3	1	22
AF	1	1	4	4	2	12
NEA	2	—	7	3	—	12
TOTALS	28	4	42	13	8	95

FY84 R&A Supplemental

US Positions Requested	Approve/Disapprove By the Congress		Established As Originally Allocated	Established But Reprogrammed As	Filled
1 Tokyo-Econ Off	App		Yes		Yes
1 Tokyo-Sec	App		Yes		Yes
1 EAP/IMBS-Econ Off	App			EAP/TB-IROG	Yes
1 EAP/J-Econ Off	App			EAP/J-Sec	Yes
1 EAP/J-Sec		Disapp			
1 Beijing-Econ Off	App		Yes		Yes
1 Beijing-Asst Sci Off	App		Yes		Yes
1 Jakarta-Sci Off		Disapp			
1 Enuga-Prin Off		Disapp			
AF					
1 Maputo-Amb	App			Maputo-Sec	Yes
1 Lome-Sec	App		Yes		Yes
1 Antananarivo-Sec		Disapp			
1 Nouackchoutt-Sec		Disapp			
1 Maputo-Sec		Disapp			
1 Maputo-Pol Off		Disapp			
1 Pretoria-Sec	App		Yes		Yes
1 AF/S-Pol Off	App		Yes		Yes
1 AF/S-Sec	App		Yes		Yes
1 AF/W-Off	App			PM/SAS-Pol Off	Yes
1 AF/W-Sec	App			PM - Sec.	Yes
1 Addis Ababa-Pol/Econ Off	App		Yes		Yes
1 Khartoum-Pol/Econ Off		Disapp			
1 N'Djamena-Pol Off	App		Yes		Yes
1 Khartoum-Sec	App		Yes		Yes
1 Monrovia-Econ Off		Disapp			
1 Kinshasa-Econ Off		Disapp			
1 Kampala-Econ Off	App		Yes		Yes
NEA					
1 Manama-Pol/Mil Off	App			Jeddah-Pol Off	No
1 Beirut-Pol/Mil Off	App			Lagos-Econ Off	Yes
1 Rabat-Pol/Mil Off	App			Rabat-IROG	No
1 Beirut-Sec	App		No		
1 Algiers-Pol Off	App		Yes		Yes
1 Muscat-Pol/Mil Off	App			Muscat-Econ/Comm Off	Yes
1 NEA/MPO-Sec	App			Colombo-Sec	No
1 Amman-Pol Off		Disapp			
1 New Delhi-Pol Off		Disapp			
1 Colombo-Pol Off		Disapp			
1 Jerusalem-Pol/Econ Off		Disapp			
1 NEA/RA-Sec	App			NEA/RA-C/T	Yes
1 Cairo-Sec	App			Jakarta-Pol/Econ	Yes
1 Calcutta-Pol Off		Disapp			
1 Beirut-Pol Off	App			NEA/RA-IROG	Yes
1 Amman-Sec	App		Yes		No
1 Islammbad-Econ Off		Disapp			
1 Dhaka-Econ Off	App			Manama-Econ Off	Yes
1 Tunis-Econ Off		Disapp			
1 Kathmandu-Econ Off		Disapp			
1 Alexandria-Econ Off	App			Riyadh-Econ Off	Yes
1 Beirut-Econ Off	App			Amman-Pol Off	Yes
126	88	38	43 (+1 Not Est)	44	76

FSN's

EUR

1 Brus.-Pol/Labor Asst		Disapp			
1 Ankara-Pol Asst	App		Yes		Yes
1 Izmir-Pol/Econ Asst	App		Yes		Yes
1 Madrid-Asst	App		Yes		Yes
ARA					
1 Rio de Janeiro-Pol Asst		Disapp			
1 Belize City-Sec	App		Yes		Yes

FY84 R&A Supplemental

US Positions Requested	Approve/Disapprove By the Congress		Established As Originally Allocated	Established But Reprogrammed As	Filled
EAP					
1 Hong Kong-Pol Asst	App		Yes		Yes
AF					
1 Monrovia-Econ Asst	App		Yes		Yes
1 Nairobi-Econ Asst	App		Yes		Yes
9	7	2	7	0	7 -

FY84 R&A GRAND TOTALS

US	126	88	38	43(+1 Not Est)	44	76 12(Not Fi
FSN	9	7	2	7	0	7
TOTALS	135	95	40	51	44	95

Workload Absorptions

Question

Please describe how the Department is absorbing the passport workload that amounts to 27 positions and the additional administrative support that amounts to 116 positions? Does "absorption" mean that the 143 positions for this workload were transferred from other areas; or are you truly absorbing this workload without increasing staff in these areas?

Answer

The Department will absorb the increased passport and administrative workloads through productivity improvements, and realignment of work wherever possible.

These absorptions are real and there will be no increased staffing from other areas to make up the difference. The Department does not have the personnel flexibility, nor can we afford to further erode our substantive reporting and analysis capabilites, to reprogram positions into the administrative and passport functions as a result of workload absorptions that are not met through productivity enhancements.

FOREIGN BUILDINGS

In considering last year's bill, we approved $211,000,000 for "Acquisition, Operation, and Maintenance of buildings abroad." We included $45,000,000 for Capital projects, including $8,830,000 for the Bonn Chancery rehabilitation. In the conference with the House managers, we agreed to the Senate level of $211,000,000. The Conference report did not earmark the $45,000,000 for capital projects but said it would be subject to further approval pursuant to the Committee's reprogramming policies.

Question: When will the Department be submitting the reprogramming documents so we will know how the $45,000,000 will be utilized?

Answer: A reprogramming notification is being prepared for submission to the appropriations committee shortly. It will include the capital projects covered in the FY 1985 Appropriation.

Question: Similarly, at my suggestion, $10,000,000 was appropriated in the supplemental Appropriations Act of 1984 for Opportunity Purchases. The House managers also insisted that the funds not be obligated until a reprogramming proposal was submitted. When will that reprogramming notice be submitted?

Answer: To date FBO has committed $9.4 million for the following properties on the list of opportunity Purchases provided to the committee in August 1984:

Bern, Switzerland	- Chancery building	$3,548,000
	- Hotel for office space	3,800,000
Sri Lanka, Colombo	- Lot for security and future Chancery Annex or Marine Security Guard residence construction	525,000
Tel Aviv, Israel	- Lot for Chancery Annex construction	1,571,460
Sub Total		9,444,460

FBO is proceeding with negotiations for purchase of the following properties which, with the exception of Surabaya, are also included on the list provided to the committee:

Bamako, Mali	- GSO Compound	144,000
Monrovia, Liberia	- GSO/B&F Compound	199,600
Surabaya, Indonesia	- Consulate office building	200,000
Sub Total		543,600
TOTAL		9,988,060

A formal reprogramming notification is being prepared for submission to the Appropriations Committees shortly.

Question: Due to the absence of the above cited required reprogramming notices, is it correct for us to assume that none of the $55,000,000 has been obligated? If no, please explain.

Answer: Of the $45 million appropriated for capital projects in the regular 1985 Act, no funds have been obligated for property purchases, architectural and engineering development or construction. Approximately $250,000 has been obligated for site surveys and preliminary design.

Of the $10 million appropriated for Opportunity Purchases in the 1984 Supplemental Act, $9.4 million has been committed for purchases included on the list provided to the committee staff in August 1984.

BONN

Question: Getting back to Bonn, what are the current plans for rehabilitating the office building chancery and the staff housing complex?

Answer: The FY 86 capital program budget requests $17.5 million for these projects. Renovations are extensive for the Chancery and compound, therefore they have been divided into three major phases. Phase I is Fire Safety and Physical Security renovations. It includes a fire detection system, a sprinkler system and proper fire egress doors. The physical security portion consists of new public access controls, a safe area on the upper floors, required security doors and barriers. Phase II is new exterior windows and insulation wall coating. This work is in the design stage. All windows will be replaced with new energy efficient models. Exterior walls will be refinished and insulated. Phase III is repartitioning of the fifth, sixth and seventh floors. It is also in the design stage. For security reasons the Ambassador and the major substantive sections of the Embassy will be relocated to these floors.

The staff housing complex is located a few miles up the Rhine river from the Embassy on a site of approximately 75 acres in an area called Plittersdorf. Upon investigation in 1980 it was determined that there was considerable deterioration of the whole facility and the Bonn Renovation Program was undertaken. The program was broken down into three phases or major projects. These projects were (and will be) broken further due to the myriad of circumstances which effect the work - primarily that of continued use of the facility by the occupants. The major projects are:

Phase I - Heating plant and distribution system - rehab project.
Phase II - Housing rehabilitation project.
Phase III - Ancillary building rehabilitation project.

Question: In view of the loss of the Bonn funds to Costa Rica, what is the priority given these two projects among all the Capital Projects budgeted for 1986?

Answer: The Costa Rica Chancery Project is being constructed for security reasons and is being funded from the regular 1985 Capital Program. Funding for the Bonn rehabilitation project was deferred until 1986 because of its lower security priority. Given continued overriding security considerations, the Bonn projects were ranked 19th and 20th out of the twenty-two capital projects planned in 1986.

PROJECT PRIORITY

Question: Please list all your Capital projects for 1986 in priority order from highest to lowest priority.

Answer: The priority order for our 1986 capital projects follow is as follows::

Location	Project
Nicosia, Cyprus	OBC/EMR/Con
Tunis, Tunisia	OBC/Site Acq./Dev.
Izmir, Turkey	COB/Site Acq./Dev.
Istanbul, Turkey	COB/Site Acq./Dev.
Abidjan, Ivory Coast	OBC/Site Acq./Dev.
Khartoum, Sudan	OBC/Site Acq./Dev.
Kingston, Jamaica	OBC/Dev.
Baghdad, Iraq	OBC/EMR/Site Acq./Dev.
Ankara, Turkey	CMP/Site Acq/Dev.
Algiers, Algeria	CMP/Dev.
La Paz, Bolivia	OBC/Const.
Shanghai, China	COB/Dev.
Guangzhou, China	COB/Dev.

Location	Project
Georgetown, Guyana	OBC/Const.
Gaborone, Botswana	OBC/Const.
Port Moresby, Papua N.Guinea	OBC/Dev.
Caracas, Venezuela	OBC/Const.
Beijing, China	OBC/Dev.
Bonn, Germany	SDA-420/Rehab
Bonn, Germany	OBC/Rehab
Cotonou, Benin	OBC/Site acq./Dev.
Santiago, Chile	OBC/Site acq./Dev.

FRANKFURT

Question: Our facilities in Frankfurt are about the same age and in similar condition to Bonn. The estimated 1985 value of the 28 1/2 building staff housing complex is $103,688,000. Yet only $685,000 is allotted for maintenance and repair, when it is evident that at least $3,000,000 is required to maintain our investment in these buildings. Does the Department think that 6/10th of a percent is an adequate annual investment in our assets?

Answer: Thus far this fiscal year we have specifically allotted over $835,000 to Frankfurt for renovations to the housing complex. In addition, Frankfurt has received energy retrofit funds for insulation projects. The Department's maintenance and repair funds are not adequate to meet our world wide requests. Funding for Frankfurt has been sufficient only to carry on the basic maintenance requirements.

Question: When can we expect a real infusion into Frankfurt to perform the badly needed rehabilitation of the staff housing complex?

Answer: In Frankfurt we have 388 apartments in 28 buildings in the housing complex. Since 1981 we have replaced all the windows and frames with modern energy efficient models in every apartment at a cost of over $2.5 million. In the fall of 1984 we began a project to renovate the facades of every building. We are doing the work in phases of 10 buildings at a time. The facades of these buildings have not been painted in 30 years.

In addition to the facades we are also replacing the downspouts and gutters. This summer we have a contract to add insulation to the attics of every building to increase energy efficiency. We also have in our long range capital program plans to replace and upgrade the kitchens and bathrooms and renovate the plumbing and heating systems at the housing complex.

MAINTENANCE AND REPAIR

The 1986 request includes only $42,168,000 for maintenance of buildings, of which $1,500,000 is for Moscow.

Question a: What is the estimated total value of the properties that the Department maintains overseas?

Answer: The State Department's real estate program can be summarized into these three categories:

Government Owned Properties - In this category we have 2,170 buildings which comprise approximately 15 million square feet, and have an estimated market value of $2,825,000,000.

Long Term Leased Properties - These properties are leased for a period of a minimum of ten years or more. In this category we hold 347 leases worldwide with an annual cost of $6,000,000.

Short Term Leased Properties - These are properties that have been leased for a period of less than ten years. These leases are for properties used for housing of U.S. Personnel assigned to our missions. In this category we have a total of 3707 leases worldwide with an annual cost of $65,758,000.

Question b. Why are we budgeting $1,500,000 for Moscow here when the new building is not completed?

Answer: Due to the size and complexity of the Moscow Embassy Complex, it is essential that US repair and maintenance technicians be assigned to the Project at the time installation of systems is being completed for training and to assure continuity of repair, maintenance and operation of systems at the time of incremental building occupancy. It is planned that the maintenance superintendent arrive in Moscow in fall, 1985 and that six technicians arrive approximately three months prior to start-up of electro/mechanical systems tentatively scheduled for April/May, 1986 preparatory to planned adult only occupancy of some housing quarters in the summer, 1986. A repair and maintenance solicitation is in process at this time for a planned contract award by June 1985 to provide the necessary services. Included in early services will be development by the Contractor of proposed requirements for spare parts, tools and equipment that will be needed on site, some of which will need to be procured in 1986. Funds as requested are required in 1986 to provide for such services.

CAIRO RESIDENCE

At last year's hearing we all denounced the tremendous overrun on the the construction of the "Palace on the Nile", or Ambassador's new residence in Cairo. The Inspector General reported last September that $3,300,000 was expended on a project that $2,200,000 was appropriated. We also have received revised answers to the responses to the questions I submitted last year that I will now place in the record.

Question a. What has happened with this project in the last year?

Answer: The Embassy was instructed to seek Government of Egypt authorization for the sale of the Giza property and perceives no difficulty in obtaining formal approval. One issue, however, remains unresolved: Egyptian banking laws stipulate that proceeds of property sales of this magnitude be deposited in a special blocked account and be subject to withdrawal at a set rate over a period of years. Our Embassy is pursuing the issue with the Ministry of Economy and, if necessary, with the Prime Minister's Office to obtain an exemption from these laws.

Question b. Has the Department taken any action to recover the funds paid the contractor of the shoddy workmanship?

Answer: FBO is negotiating with the Contractor to settle all outstanding claims under the contract.

Question c. The revised responses indicate that several people were responsible for this project. Has anyone been disciplined for their role in the mismanagement of the project?

Answer: The Department's Bureau of Personnel , Office of Employee Relations, has undertaken a review of the Project Manager's role in the project. This came about as a result of what was reported in the Inspector General's investigation.

Question d. The revised responses indicate that the Department views the Cairo residence situation as an aberration in that the project manager involved himself in more projects than was assigned. If your supplemental and 1986 requests are approved, we will have added nearly $500,000 to your capital Program since 1984, and only 49 positions. Is the Department truly confident that adequate supervision is assigned to FBO's projects so that we will not have another Cairo situation?

Answer: We believe we have taken positive steps to improve our overall project management including on-site supervision. For example: we have formulated a Project Management Team which has specific responsibility for the management of a specific project. To assist this team we acquired a computer driven project management system. This system helps FBO project more accurately the cost of a project, the resources necessary to complete it and the time necessary for each phase. It also provides a schedule that can be used to insure that critical material and equipment arrive at the proper time to complete the project.

We are also instituting several new procedures for our project managers. Designs are being simplified to facilitate our working with local contractors and we are now holding annual project manager meetings to keep our people abreast of current management procedures. We are bringing project managers on board six months ahead of their assignments overseas in order to give them State side training prior to arrival at Post. We are exploring computer software which will permit our project managers to use computers in managing projects and are hoping that these computers can be linked directly to Washington in an effort to have our backup managers here be able to obtain day-by-day updates if necessary.

CAIRO OFFICE BUILDING

In January, FBO declared the contractor building the new Cairo Office building tower in default. At that time, construction had reached the 4th floor of the 17-story building.

Question a. What is being done to get construction going again?

Answer: Immediately upon termination of the general contractor for default, A/FBO entered into direct contracts with four of Kramico's subcontractors for the continuation of certain critical work such as dewatering and waterproofing. While this critical work continues, A/FBO has taken the steps necessary to a prompt, competitive reprocurement of the remainder of the general contract. Award of the new contract requires: definition of the scope of the remaining work; preparation of the solicitation and contract documents; identification of responsible, technically competent firms which are interested in obtaining the award; preparation by those firms of specific proposals; and negotiation with those firms whose proposals offer competitive prices. A/FBO expects to be able to award the new contract in July 1985.

Question b. When this project was being bid, we tried to get you to select an American Contractor. State went with a Swiss-Egyptian combine, Kramico. Don't you think we should find a good, solid American firm to finish the job?

Answer: It is both the preference and the statutory mandate of the Department to give American contractors an advantage of 10% over foreign firms in their competitive pricing. This is pursuant to Section 11 of the Foreign Service Buildings Act of 1926, as amended by Public Law 98-164. The statutes and regulations do not authorize the Department to ignore price altogether as a principal criterion in the selection of a contractor. However, a qualified American contractor who submitted a responsive proposal at the lowest available price (after application of the 10% advantage) would receive the award.

Question c. What was the original date for completion of this project and when do you estimate now in view of the default?

Answer: As of January 13, 1985, the date of the termination, the contract required completion of the work in April 1986. In the absence of any changes to the design or the scope of work entailed by the project, we would expect completion approximately January, 1987.

Question d. Can this project be completed within the amount now appropriated?

Answer: A new contract proposal is expected to be issued on a competitive bid basis in early summer 1985 to complete the building. At the present time the project is one third complete.

The estimated cost of this contract will exceed the present budgeted funds by $6.4 million. The performance guarantees and payment bonds collected are $3.2 million. Therefore, the Department will be seeking alternative means (including proceeds of sale) for financing the remaining $3.2 million required.

LONDON STAFF HOUSING

Question: Last year I visited the Embassy in London and found considerable concern about our staff housing. The Marines are in a fringe neighborhood and are co-located with Embassy Staff. We also have some properties that no longer fit our requirements. Does the Department share this view and what are our plans for London?

Answer: The Department agrees that certain properties in London could be either sold or traded to maximize the use of our property holdings. FBO in collaboration with the Embassy is negotiating a proposal with a London based real estate specialist, to study and prepare recommendations regarding the utilization of our properties.

MOSCOW

Question: For the Record, please submit a summary of the funding of the Moscow Office Building complex project. The summary should show the various funding increments, indicate what they were to cover, and the estimated total cost and completion date of the project at the time each increment was submitted.

Answer:

A history of the enacted and proposed appropriations follows:

MOSCOW CONSTRUCTION PROJECT
REGULAR & SUPPLEMENTAL REQUESTS
FY 1977 THRU FY 1985
($000)

FY	INCREMENTAL AMOUNTS APPROP. BY YEAR	CUM.	REG./SUPPL.	PURPOSE OF REQUEST	PROJECTED COMP. DATE AT TIME OF REQUEST
77	30,000	30,000	REG.	DESIGN/CONST.	12/83
78	45,000	75,000	REG.	CONST	12/83
79	16,500	91,500	REG.	CONST	12/83
80	-0-	91,500	N/A	N/A	12/83
81	12,000	103,500	REG.	CONST	12/83
82	31,700	135,200	REG.	CONST	12/83
83	4,625	139,825	SUPPL.[1] [2]	SEC EQUIP/SVS[4]	12/85
84	7,140.	146,965	SUPPL.[2]	SEC EQUIP/SVS[4]	12/85
85	20,068	167,033	SUPPL.[1]	Delay Claims	12/87

[1] Includes $825,000 authority to utilize proceeds of sales

[2] Totally security related

[3] Pending supplemental appropriations

[4] Security Systems Services

KHARTOUM

Question: This Subcommittee has first-hand knowledge of the need for a Chancery in Khartoum. Please outline why it requires $1,040,000 to purchase suitable housing for DOD staff in Khartoum. How much housing will we get for that kind of outlay?

Answer: The budget request of $1,040,000 reflects the costs for one senior military attache residence ($470,000) and two townhouse units for DOD staff ($285,000 each). In 1983, the Department explored the possibility of acquiring eight townhouses and a representational residence in Khartoum under a lease with option to purchase arrangement. The proposal from the entrepreneur reflected a total cost of $2,280,000 ($285,000 per unit) to acquire the eight townhouses. Housing costs in Khartoum are very high. These reflect our most reliable estimates of the cost of acquiring a residence for the senior defense attache and two staff housing units.

Office of Communications

Question:

In February we found that USIA wanted to take from State the responsibility for providing communications equipment to their posts. How has that matter been resolved?

Answer:

A Memorandum of Understanding (MOU) between the Department of State and USIA is currently in the clearance process. Under the terms of this MOU, the Department will retain responsibility for procurement and maintenance of communications equipment in support of requirements identified by USIA.

Question:

USIA Security officials indicated that they could buy adequate "user friendly" radios for $7,000 each, while the Department was buying radios from another supplier at $27,000 each. That is quite a difference. Has the Department looked into the less expensive radio that USIA identified?

Answer:

Yes. The Department has examined the less expensive radio that USIA identified. The two radios in question are not comparable. The USIA radio only meets intra-country distance requirements whereas the Office of Communications radio must meet inter-country distance requirements. In addition, the Department's radio costs an average of $13,000 instead of $27,000 as indicated. The radio used by the Department is more rugged, has higher wattage and can be used in conjunction with special amplifiers to further increase its effective range.

Calls for Consultations on New Quotas

Question: I understand that in recent testimony before the Trade Subcommittee of the House Ways and Means Committee on the subject of textile and apparel imports, it was stated that the Department of State frequently has refused to transmit calls for consultations on new quotas to foreign governments.

1. Secretary Shultz, is this true? If so, would you please detail all the specific instances and explain why in each instance the Department of State acted as it did.

Answer : The Department of State has transmitted all calls, for consultation, that were approved by a majority of the interagency Committee for Implementation of Textile Agreements (CITA). In a few cases, when thought by the Chairman of CITA to have been warranted, the Department has suggested that calls on Taiwan, Hong Kong, and Korea be further discussed within CITA or at higher levels as to the presence or absence of market disruptions. This is a finding required by our bilateral agreements with those countries. State has not refused to transmit calls.

Question: 2. Mr. Secretary, such action would be an unwarranted veto over the implementation of the processes established by the Administration. How do you justify this action?

Answer : State implemented 103 calls in 1983, of which 79 were calls on Hong Kong, Taiwan, and Korea, and 112 in 1984, of which 39 were on these "Big Three" suppliers. Thus far in 1985, State already has transmitted 23 "calls".

Office of Medical Services

Question:

Has the Department allocated resources from the Security Supplemental to meet the mental health needs of employees overseas?

Answer:

No, the Department has not allocated resources from the Security Supplemental to meet this need.

Question:

With increased physical security being provided for overseas embassies, what has the Department done to instill a more positive attitude towards terrorist risks among overseas employees?

Answer:

The Office of Medical Services, utilizing the eight Departmental psychiatrists (two assigned to Washington, D.C., six in overseas posts), has addressed the attitude of overseas employees' and their dependents through seminars, lectures, workshops and counselling. The aim is to foster a balanced, effective and realistic coping mechanism for the terrorist threat. Appropriate and timely evaluations, treatment and triage services are afforded victims of terrorist incidents. Specific input on improving the standard Coping with Violence Abroad seminar given at the Foreign Service Institute has been made through the Office of Counter-Terrorism and Emergency Planning.

Of necessity, given the manpower limitations and the immediate demand for clinical services worldwide, these activities can only take place within the overall context of preventive mental health and clinical services.

QUESTION:

Did the Department request additional Regional Psychiatrists from OMB for FY 1986? If so, how many at what cost?

ANSWER:

In its 1986 budget request to OMB, the Office of Medical Services requested four additional Regional Psychiatrists through the regional bureaus and one psychologist for the domestic staff. It is estimated that these five positions would cost $700,000 in salary and support annually.

QUESTION:

How many additional Regional Psychiatrists are requested for fiscal 1986?

ANSWER:

There are no Regional Psychiatrists requested in the FY 1986 Congressional budget.

1. Q: Mr. Spiers, when this reorganization proposal was still under reivew in the Department, did not you and Under Secretary Schneider oppose the consolidation of the Office of International Communications Policy and the Office of the Coordinator for International Communication and Information Policy?

A: Neither Under Secretary Schneider nor Under Secretary Spiers opposed the consolidation of the two offices. They and the Secretary are persuaded of the efficacy of the move and believe that it will increase the efficiency of the Department's handling of information and communications issues.

2. Q: Why did you oppose this reorganization, Mr. Spiers?

A: As stated in the previous answer, Mr. Spiers did not oppose the consolidation.

3. Q: Your response to my second question in my March 20th letter regarding the other alternatives considered and rejected appears incomplete in that no alternatives are discussed. Did you consider any alternatives to the proposed reorganization, and why were they rejected?

A: Both internal studies of the Department's handling of information and communications issues and a study by the General Accounting Office recommended consolidating all of the Department's expertise in this area in a single place. The logic of the studies was so compelling that we saw no alternative to consolidation.

The only questions were where the consolidated office should be placed organizationally, and its status within the Department. Although a case could be made and consideration was given to locating the Bureau under the auspices of another Under Secretary, the Coordinator's Office has operated since its inception under the auspices of the Under Secretary for Security Assistance, Science and Technology. There was no compelling reason to reassign the functions.

The alternative of transferring all of the functions to an office in EB, headed by a Deputy Assistant Secretary of State, was considered and rejected for two reasons:

First, that arrangement would have been contrary to Sec. 124 of Public Law 98-164, (22 U.S.C. 2706) which mandated the creation of an Office of the Coordinator for International Communications and Information Policy, headed by a Coordinator responsible to an Under Secretary. At the Deputy Assistant Secretary level, the Coordinator would have reported to an Assistant Secretary, rather than to the Under Secretary, as provided by law.

Second, such a move would have been seen as a downgrading of the importance of communications and information functions within the Department, in contradiction of the Secretary's belief that these issues are becoming increasingly important to the conduct of U.S. foreign policy. Further, that arrangement would have gone against the wishes of the private sector, expressed in repeated Congressional hearings, that our attention to these issues be upgraded. Finally, such an outcome would clearly have violated the intent of Sec. 124 of P.L. 98-164 which was to upgrade the level of this function.

Consolidation of all of our communications and information policy functions in a new Bureau was the logical, as well as the best, way to achieve needed efficiency and more senior level policy responsiveness.

4. Q: In response to my fifth question, you stated: We are confident that the staffs of both offices can and will complement each other and that the end result will not only provide a better career structure for all those

involved, but a vastly improved mechanism for the promotion of U.S. foreign policy interests. This statement leads me to conclude that the primary reason for this reorganization is a "better career structure" and the secondary reason is the promotion of our foreign policy interests. Should not the Department's priorities for any reorganization be just the opposite?

A: The purpose of the consolidation, as stated in the Secretary's letter to the Committee announcing the reprogramming, is "to focus the Department's efforts on international communications and information policy in one place so that that policy will be more efficiently and effectively managed."

In answer to your original question on how we intended to maintain the current effectiveness and credibility as communications experts of the Office of Communications after the reprogramming, we reiterated our belief that the consolidation would enhance the effectiveness of the Department by allowing individual officers to focus their efforts and utilize their talents more productively and efficiently in their areas of expertise.

We were not suggesting that a better career structure was the primary reason for the reorganization. We wished to reassure you that the consolidation, which is being carried out to enhance the foreign policy interests of the country, would not adversely affect the individuals who will be involved.

QUESTION SUBMITTED BY SENATOR DANIEL K. INOUYE

Balance between Reporting and Analysis and Security

Question:

Mr. Secretary, in your February 27th statement on the State Department's Authorization request for FY 1986-87, you identified two important but potentially conflicting components of the State Department's mission abroad. On one hand, you cited reporting and analysis as the Department's central function. Timely information and insights into events overseas is critical to our national security, as you pointed out, and this requires an active effort by our personnel to understand foreign cultures, learn their languages, and interact with their political leaders in local settings. On the other hand, you pointed to the growing threat by terrorists and political extremists to our foreign service officers, and you detailed the State Department's commitments and substantial efforts to improving security at our embassies and consulates around the world.

I am concerned about how the State Department plans to pursue its conflicting mandates of representing the United States abroad and collecting accurate information while at the same time isolating our personnel from possible terrorist attacks. With the fortification of our facilities, the assigning of body guards, the curtailing of movement by U.S. personnel, and the use of armored cars, we cut off our people from the very situations they are expected to understand and report upon. What steps is the State Department taking to balance these different responsibilities, and what instructions are we giving Foreign Service officers to assist them in pursuing our national security interests at a time of increased threat to their own personal security?

Answer:

Reporting and analysis is the core function of the Foreign Service overseas. It is true that today's security problems place an enormous added burden on our people. But the dangers imposed by terrorism cannot be allowed to deter us from carrying out responsibilities of importance to U.S. national interests. There have always been hardships and even privations associated with a foreign service career. Obviously they are greater now.

While we are indeed taking measures to better protect our people and facilities, we are not isolating our personnel. Except in extraordinary circumstances like Beirut, our staffs continue to carry out their responsibilities. Political officers meet with local officials and political leaders, economic officers analyze and report on financial and economic developments, and we continue to provide consular services. Granted, some of these officers are moving about in armored cars and with body guards, but they are not isolated from the local community.

One way we try to deal with the heightened danger is by providing training on personal security. Currently, all employees assigned overseas are required to take a course at the Foreign Service Institute on coping with violence abroad. The course includes lectures and films dealing with precautions for personal security. Upon arrival at the post of assignment, additional training covering the specific nature of the threat at that post is provided by the security officer. In June, mobile security training teams will begin regular trips to posts to give custom tailored lectures and hands-on training to employees and their dependents.

We seek to maintain an appropriate balance between protecting our people and isolating them and believe that the security improvements for which we are requesting funding will not isolate our personnel, but instead better protect them as they carry our our national security interests.

QUESTION SUBMITTED BY SENATOR FRANK R. LAUTENBERG

Whereabouts of Josef Mengele

Secretary Shultz, I am puzzled about the recent decision of Attorney General Smith to open an investigation into the whereabouts of Josef Mengele, the Nazi war criminal. I am puzzled, not at the reasons for this decision, but at the timing.

Attorney General Smith stated that newly-declassified documents indicating involvement by the United States with Mengele after the war are part of the basis of this investigation.

Questions:

When exactly did these documents come to light?

Is it known whether any responsible authorities in the U.S. government knew of them prior to their release under the Freedom of Information Act?

What is your appreciation of the extent of U.S. association with Mengele in the immediate post war years?

It is my understanding there are CIA reports locating Mengele in Latin America as recently as the mid to late 1970's. What has the U.S. Government done to follow up on these leads?

Why have U.S. authorities not taken steps to find Mengele and bring him to justice?

Are U.S. intelligence agencies actively seeking to determine Mengele's whereabouts at this time?

It has been suggested that Mengele is in Paraguay. What steps have you taken to secure Paraguay's cooperation in carrying out a full investigation?

There are also reports that Mengele enjoys Paraguayan President Stoessner's protection. Is this true?

Will the U.S. investigation announced by Attorney General Smith be coordinated with past and present efforts by West Germany, Israel, Paraguay, and other South American countries?

Several members of Congress have suggested that the U.S. Government ought to offer a sizeable reward for information leading to the arrest of Mengele. We did this in the case of the bombing of the Capitol. Don't you think this would improve our chances of bringing Mengele to justice.

Answer:

On February 6, 1985, Attorney General William French Smith directed the Office of Special Investigations of the Criminal Division of the Department of Justice to conduct a thorough investigation regarding Josef Mengele. The investigation is to be comprehensive and to cover a number of points, including: Was he ever in U.S. custody? If so, how was he released? Did the U.S. facilitate his travel from Europe to South America? Did we ever have contact with him in South America? Did he ever come to the United States? If so, under what circumstances? The United States will also seek to locate Mengele so that he may be transferred to and brought to justice in a country that is able to prosecute him for his crimes.

The Department of Justice has requested and is receiving the active assistance of the Department of State in this investigation. When the investigation is complete, the Administration will be in a better position to reply to these questions.

ADDITIONAL COMMITTEE QUESTIONS

Office of Foreign Missions -- Management of Former Diplomatic Properties

Under the Foreign Missions Act of 1982 (P.L. 97-241), the Office of Foreign Missions (OFM) within the Department of State has assumed responsibility for the protection and preservation of 15 properties owned by three foreign governments (Iran, Kampuchea, and Vietnam) with which the U.S. Government is no longer conducting diplomatic activities. Necessary renovation is nearly complete and most of the properties have been leased to U.S. Government and private parties. Funds for the restoration have come primarily from blocked accounts of the three countries maintained by the Department of the Treasury. Additional funds also were obtained from the sale of furnishings without historical value that remained when the properties were vacated by foreign mission personnel.

Question: Who made the decision to protect and preserve rather than dispose of the properties of the three countries with which the United States ceased conducting diplomatic relations? What was the rationale behind this determination?

Answer: The Office of Foreign Missions after consultation with the responsible geographic bureaus made the decision to maintain and preserve all properties with the exception of one Iranian residence. The decision to maintain the properties was made as it was our judgment that retaining the properties under U.S. Government control might prove useful at some future date in our negotiations with those countries with regard to comparable U.S. properties there. One Iranian property was demolished as it was the judgment of those experts who examined the property that it had deteriorated to the point that restoration was not practical.

OFM continues to re-examine the question of maintaining these establishments, and may later determine that continued U.S. Government maintenance of a particular property is no longer justified and that such property should be sold.

Question: Is OFM following a strict reciprocal policy with respect to the handling of the former diplomatic properties? Specifically, how are the Governments of Iran, Kampuchea, and Vietnam protecting and preserving former U.S. properties in each of the respective countries?

Answer: U.S. properties in Vietnam, Cambodia and Iran remain in the hands of those governments and neither the

U.S. or those who represent our interests have access to the properties. No inventories have been provided to the U.S. and the degree of maintenance of the properties cannot be accurately determined. The U.S. does not permit access by those countries or their protecting powers to their properties here, nor do we offer them an accounting of our stewardship.

Question: Are the restoration funds received to date sufficient to complete and maintain the properties? Are there any other sources of funds to carry out this effort?

Answer: Impounded funds provided by U.S. Treasury in conjunction with proceeds of sales of furnishings are sufficient to restore the properties to leasable condition. So long as the properties can be leased, there will be sufficient funds to maintain the properties. Any property which cannot be maintained by that country's funds will be considered for sale.

Question: Have U.S. funds been used in the renovation and/or maintenance of the former diplomatic properties? If so, how much?

Answer: Prior to the passage of the Foreign Missions Act certain funds were expended by the Department of State to prevent the buildings from becoming a threat to public safety. These funds were reimbursed from foreign funds when OFM assumed management of the properties. Thus buildings have therefore been restored and leased at no cost to the U.S. taxpayer.

One of the properties, the former Iranian Chancery, is now being used to house U.S. Government offices and U.S. funds are being expended for the building's routine operating costs. Iranian funds will continue to be used for any major maintenance expenses of this building.

Question: Will U.S. funds be required in the future for these properties? If so, how much?

Answer: No U.S. funds will be required in the future for the maintenance of these properties. U.S. funds will be expended to operate the U. S. Government offices now located in the former Iranian Chancery.

Question: Concerning the status of funds in the accounts for the Iranian, Kampuchea, and Vietnamese properties, would you provide last year's beginning balances, summaries of receipts and expenditures, and ending balances?

Answer: The following table provides last year's beginning balances, receipts, expenditures and ending balances for the Department's Iranian, Kampuchean and Vietnamese property accounts.

STATUS OF FUNDS - CALENDAR YEAR 1984
Iranian, Kampuchean and Vietnamese Property Accounts
($ in thousands)

Property Account	Beginning Balance	Receipts*	Expenditures	Ending Balance
Iranian	$126	$4,298	$2,258	$2,166
Kampuchean	39	743	35	747
Vietnamese	53	1,628	742	939

*Includes impounded funds, auction income, rental income and interest income.

Question: How long does OFM expect to maintain the properties vacated by the three foreign governments?

Answer: OFM will maintain the properties so long as it is the Department's judgment that they may be of significant value in future negotiations and they are self-sustaining.

Financial Management

QUESTION: During hearings in March 1982, on State's fiscal year 1983 budget request, the Under Secretary for Management testified that the Department's new financial management system would cost in the range of $10 million and take up to five years to update. How much will each of the subsystems cost to install and operate? Please break out the estimates by software, equipment, maintenance, and salaries. Please show the Real Estate Management System (REMS) and the Foreign Service Institute Cost Accounting System as separate subsystems

ANSWER:

Summary of Project Software Development,
Installation and Maintenance Costs
(Dollars in Thousands)

	FMS	MCAS*	REMS
1982	$ 1,847	$594	$ —
1983	3,100	47	1,146
1984	5,791	102	1,642
1985	6,500	100	2,412
1986	6,500	100	1,500
TOTAL	$23,738	$943	$6,700

*Management Cost Accounting System — which is the Foreign Service Institute Cost Accounting System.

In addition to these costs, the Department spends approximately $900,000 per year on salaries and other expenses related to the development, maintenance and worldwide installation of the Financial Management System. Also, in the Department's FY 1986 request, there are an additional three positions and $135,000 (salaries and support costs) to maintain and operate REMS.

The information provided three years ago by the Under Secretary for Management regarding the new Financial Management System (FMS) included only the first operational stage of the system. That stage provided only for the core overseas and domestic financial management features at less than half of the

planned installation sites. Other installations to cover the rest of the world and fully implement the FMS concept were included in a subsequent stage. In addition, this original development plan did not anticipate that any benefits of FMS would reach overseas posts until the full FMS design effort was completed.

To realize these savings and other benefits of the FMS, modifications to the original development approach described three years ago by the Under Secretary have been instituted by the Department. These changes were described in the 1985 Congressional budget request document, and were implemented to improve financial management practices overseas as quickly as possible, cover more posts quickly, and give priority to labor-saving and cost-saving applications.

Financial Management

QUESTION:

Last year State told Congress that the staffing at the Regional Administrative Management Centers (RAMCs) would decrease as the workload shifts to the Financial Mangement Centers (FMCS). What Financial Management Centers are operational at this time and when did they become operational?

ANSWER:

The following Financial Management Centers have operational modules of the FMS at this time.

Site	Disbursing	Core Overseas Accounting	Reimbursments
Bonn	Oct. 1983	Dec. 1984	Feb. 1984
Tokyo	Feb. 1984	Mar. 1985	Jun. 1984
London	Dec. 1984	Feb. 1985	Jun. 1984
Brussels	Feb. 1985	Mar. 1985	Apr. 1985
Brasilia	Sep. 1984	--	Aug. 1984
Cairo	Oct. 1984	Sep. 1985	Jun. 1984
Rome	--	--	Jun. 1984
Nairobi	--	--	Mar. 1985
Jakarta	--	--	Mar. 1985

The following additional FMC's will have operational modules of the FMS in June 1985:

Buenos Aires	Disbursing, Reimbursements
Athens	Reimbursements
Canberra	Reimbursements
Manila	Reimbursements
New Delhi	Reimbursements
Seoul	Reimbursements
Vienna	Reimbursements

Payroll Systems

QUESTION:

New payroll systems are being developed for both American and FSN payroll employees. How much will these systems cost to install and operate, broken out by software, equipment, maintenance and salaries?

ANSWER:

Payrolling Foreign National Employees (FSN Pay):

The Department has contracted for the design and implementation of a Foreign Service National Payroll System (FN PAY) which is in the initial requirements study stages. A system concept design recommendation is scheduled to be delivered in the spring of CY-1986.

Previous funding and current budget estimates for payroll systems by category are:

Foreign Service National Payroll System

($000)

	FY-84	FY-85	FY-86	FY-87	FY-88	FY-89	Project Total
CONTRACTOR COSTS							
Salaries	$276	$481	$1,298	$1,727	$1,477	$573	$5,832
Miscellaneous 1/	--	79	141	72	774	320	1,386
Fee (8%)	24	45	115	144	180	71	579
Contractor Subtotal	300	$605	$1,554	$1,943	$2,431	$964	$7,797
STATE PROJECT MANAGEMENT							
Salaries	--	$ 69	$ 91	$ 91	$ 91	$ 91	$ 433
Travel & Perdiem	--	18	23	13	189	78	321
Equipment	--	151	120	126	60	33	490
Government Subtotal	--	$238	$234	$230	$340	$202	$1,244
PROJECT TOTALS - 2 /	$300	$843	$1,788	$2,173	$2,771	$1,166	$9,041

1 / Miscellaneous includes international travel, perdiem, supplies, communications, reproduction, local travel costs.

2 / Cost estimates contain the most current data.

Payrolling American Employees:

The Department has contracted for the design and implementation of a Consolidated American Payroll Processing System (CAPPS) which will be based in Washington, DC. This effort entails numerous enhancements to the current payroll system and provides the capability of consolidating payment processing. The project is slated for completion by August, 1985.

Currently, the Department is responsible for paying over 16,000 State and 2,500 other agency American employees who are assigned worldwide. Payroll processing is performed by payroll offices located in Washington, DC, Paris, France, Mexico City, Mexico and Bangkok, Thailand. Three (3) separate payroll systems are used. Only the Washington activity uses an integrated personnel/payroll master file.

The Department's goal is to centralize the payment of all Americans in Washington, thereby eliminating: (1) the need to re-key data every time an employee moves from one independent payroll center to another; and (2) the need to maintain and update payroll programs at each of the centers.

This Department's CAPPS initiative predated OMB's Reform 88 project "to develop a single, viable, state-of-the-art personnel/payroll system for the four agencies (State, USIA, PC, AID) that will operate on a single computer, be maintained centrally and be directly accessible to all agency users."

Consolidated American Payroll Processing System

($000)

CONTRACTOR COSTS	FY/82	FY/83	FY/84	FY/85	PROJECT TOTAL
Software Development	$799	$600	$700	$184	$2,283

State Project Management

Total funds associated with the CAPPS project are for contractor software development. Project management absorbed by State management/operating personnel.

Financial Management System

Question:

State's Financial Integrity Act statement of December, 1984 indicated that by the end of calendar year 1986 implementation of all phases of the new Financial Management System will be complete. The same statement indicates, however, that the Real Estate Management portion of the system will be operating at 50 posts by the end of Fiscal Year 1989. How long will it be before all of State's transactions are processed by the new system?

Answer:

The goal for the scheduled installation of the Financial Management System continues to be the end of calender year 1986 as stipulated in the Financial Integrity Act statement of December 1984. During that timeframe, it is expected that work on most FMS modules -- (1) Disbursing, (2) Reimbursements, (3) Overseas Accounting and Budgeting, and (4) Domestic Accounting and Budgeting -- will be completed. At currently budgeted resource levels, however, we expect to complete installation of all FMS modules during 1987.

The Real Estate Management System (REMS) which includes post building inventory and work order system modules will automate certain manual records at posts. The Financial Management System is not dependent on these modules. REMS has a separate and distinct installation schedule from that of the comprehensive FMS and continues towards the goal of completion by FY 1989 as indicated in State's Financial Integrity Act statement of 1984.

Financial Management

QUESTION:

How many Americans and Foreign Service Nationals positions have been added in the budget offices and information systems offices at the posts which have become Financial Management Centers? How many positions have been eliminated at the Regional Administrative Management Centers? What has been the impact on overall cost?

ANSWER:

The Financial Management System (FMS) has been installed at Financial Management Centers (FMCs) using positions already in place at the post, through the reprogramming of positions within the Department of State, and through the use of positions added for that purpose through the Congressional appropriations process in FY 85. One American and two FSN positions were reprogrammed for Bonn. Congress has provided through the 1985 budget two FSN positions each for London and Brussels and four American and ten FSN positions for 5 other FMCs. The overall cost of these positions is approximately $667,000. These positions permit the Department to allocate and fill positions needed prior to the installation of FMS software at FMCs and before workload redistributions and savings have been realized. The Department expects to be able to reprogram positions to meet all other staffing requirements at FMCs.

No additional Information Systems Officer positions have been added for the FMS. The Information Systems Officers have been assigned to posts as part of an overall automation program. No positions have been eliminated from the Regional Administrative Management Centers.

The costs of any additional positions added at Financial Management Center posts have been greatly overshadowed by the deficit-reducing savings to the U.S. Treasury that have resulted from the installation. In Cairo, for example, the FMS Disbursing installation revealed $20,000,000 in dormant bank accounts earning no interest -- a find worth $2,400,000 annually in interest savings to the Treasury. The FMS has also enabled the Cairo Embassy to reduce the local currency operating account by $6,000,000, achieving an additional annual savings to the Treasury of $240,000. In addition, we also negotiated rebates on purchases of Egyptian pounds, saving another $900,000 annually. In Tokyo, faster payments are resulting in discounts of as much as $5,000 per utility bill. Tokyo has also experienced a significant de- crease in cashier replenishments because of faster, more reli- able check payment scheduling. These are representative of deficit-reducing savings to the U.S. Treasury that can be ex- pected to amount to many millions of dollars annually when all 20 FMCs have been fully implemented.

QUESTION:

What are the specific plans for adding staff at each of the Financial Management Centers (FMCs) and for eliminating staff at the Regional Administrative Management Centers (RAMCs)?

ANSWER:

The staffing at the FMC's is expected to increase through reprogramming of positions within the Department as workload is redistributed. In general, the staffing in the financial aspects of RAMC operations is expected to decrease over time, as distributed systems are made available through programs such as FMS, for accounting and disbursing. In discussions at the RAMC Director's Conference in October 1984, it was decided that the impact of new financial systems for American payrolling (CAPPS) and Foreign Service National Payrolling also had to be taken into account. Looking at financial systems plans, with FMS and CAPPS now being implemented and changes in FSN Pay still in the design stage, a realistic view is that gradual rather than dramatic changes in RAMC financial workload will occur over a period of the next few years. It was decided that decreases in positions dedicated to financial activities would thus be done through attrition, rather than through RIFs.

Plans for RAMC Mexico present an exception to the general rule in the short to medium term. In response to a desire of the Treasury Department to execute a transfer of functions, the Department would service the financial needs of Latin American posts from RAMC Mexico and the three FMC operations in that area.

Another aspect of RAMC operations, regional support for the Department's overseas automation program, was identified in the October conference as needing increased resources. This regional support for the 75 minicomputers and approximate 300 office type word processing machines now installed at our foreign service posts is significant because these posts increasingly rely on these systems for their financial, consular and general administrative workload. The first step is the addition of FSN assistance and one of the first priorities of this effort is to provide regional systems training for personnel at post in the RAMC serviced area.

Question: Special Complements: 235 positions and $11,078,000 are requested for this function. Please describe how this money is used and what the people actually do.

Answer: The $11,078,000 is entirely for salary and support costs of the 235 positions.

The Special Complement function consists of the following:

The Junior Officer Training Complement, containing 41 Foreign Service positions, to which all junior officers are assigned during their initial orientation and training period until they arrive at their initial posts of assignment.

The Junior Officer Rotational Program, containing 36 Foreign Service positions, affords junior Foreign Service Officers with the opportunity to gain work experience in several sections of an embassy on their initial tour abroad.

The Junior Officer Reporting and Analysis Program, containing 8 Foreign Service positions, provides junior Foreign Service political and economic officers with a developmental opportunity in their specialty before they are promoted and assigned to mid-level responsibilities.

The Pre-Assignment Center (PAC), containing 45 positions, enables the Department to hire entry-level Civil Service employees while their security clearances are pending. Employees assigned to the PAC do not work on classified material, but are used for routine, unclassified work, both within and outside the Bureau of Personnel. If we did not have this complement, applicants would have to wait several months while their security clearances were processed, and most would accept alternative employment elsewhere.

The Mid-Level Entry Program, containing 6 positions, is for the initial period of training and orientation for the women and minorities who are hired under the auspices of our Foreign Service mid-level affirmative action program.

The Domestic Assignments Complement, containing 23 positions, is for Foreign Service personnel assigned to state and local governments under the auspices of the "Pearson" program (P.L. 94-141). It enables Foreign Service personnel to provide international expertise to State and local governmental units and, at the same time, to expand their first-hand knowledge of our federal system and the problems of these governments.

The Intergovernmental Personnel Act Complement, containing 10 positions, and the Details Complement, containing 15 positions, are used to assign personnel to universities, non-profit organizations such as the Council on Foreign Relations, and to other government agencies.

The Career Mobility Program, containing 16 positions, affords both Civil and Foreign Service employees the opportunity of changing their career fields to fields offering more advancement opportunity while at the same time giving the Department the ability to staff critical shortage categories such as Financial Management . Participants are assigned to a one year rotational training program and are then placed in a permanent position after completion of the training.

The Presidential Management Intern Program, containing 5 positions, provides rotational positions for those individuals selected under the Presidential Management Intern Program. This pool of positions allows a specific bureau or office to both train and have the temporary services of these individuals without having to incumber one of their regular operational positions.

The Central Complement, containing 30 positions, is for Foreign Service personnel awaiting an onward assignment or confirmation hearings in the Senate. These individuals are loaned to bureaus throughout the Department where staff shortages exist or some augmentation of personnel is required for a specific temporary project of a priority nature.

Office of Communications

Shielded Enclosure Program

Question:

-- According to the request, the post communications center renovations have already been funded. It appears that an integral part of the centers--the shielding--was never funded. Please explain why the Department did not request funding for the shielding at the same time it requested money for renovating the centers.

Answer:

-- While shielded enclosures are important to the secure operation of our communications centers, in FY 1985, the Department must fund higher priority requirements such as the alternate communications center. The Department's FY 1986 request for post communications centers includes funds for shielded enclosures.

Post Communications Centers

Question:

-- An increase of $1,618,000 is requested for renovating the centers. In light of the problem with a lack of funding for shielding for the centers currently being renovated, will the money the Department has requested for additional renovations fund all aspects of the renovation?

Answer:

-- This is the first year in which funding for post communications centers in short term leased properties has been included in the budget for the Office of Communications. Funds for communications centers at these two short term leased properties are being included because of the high security threat. The requested funds cover all renovation requirements and include monies for shielded enclosures for two posts, -- Chengdu and Wuhan, People's Republic of China.

Relief and Repatriation Loans

QUESTION:

The Department is requesting $700,000 for such loans to destitute Americans abroad.

--Of the $700,000 loaned in each of the past three years, how much has actually been repaid?

--What action is taken to recover loans not repaid?

--What office in the Department is responsible for accounting for the loans and ensuring that they are repaid?

ANSWER:

The loan recoveries for the past three years are as follows:

Fiscal Years	Amount Recovered
1982	$270,000
1983	248,000
1984	282,000

The Department of State vigorously pursues the recoupment of these loans. Section 122(D) of P.L. 98-164 states that the Secretary of State shall:

--(1) Require the borrower to provide a verifiable address and social security number at the time of application;

--(2) Require a written loan agreement which includes a repayment schedule;

--(3) Bar passports from being issued or renewed for those individuals who are in default;

--(4) Refer any loan more than one year past due to the Department of Justice for litigation;

--(5) Obtain addresses from the Internal Revenue Service for all delinquent accounts which have social security numbers;

--(6) Report defaults to commercial credit bureaus as provided in Section 3711 (F) of Title 31, United States Code;

--(7) Be permitted to use any funds necessary to contract with commercial collection agencies, notwithstanding Section 3718 (C) of Title 31, United States Code;

--(8) Charge interest on all loans as of May 1, 1983, with the rate of interest to be that set forth in Section 3717 (A) of Title 31, United States Code;

--(9) Assess charges, in addition to the interest provided for in paragraph (8), to cover the costs of processing and handling delinquent claims, as of May 1, 1983;

--(10) Assess a penalty charge, in addition to the interest provided for in paragraphs (8) and (9), of 6 per centum per year for failure to pay any portion of a debt more than ninety days past due; and

--(11) Implement the interest and penalty provisions in paragraphs (8), (9), and (10) for all current and future loans, regardless of whether the debts were incurred before or after May 1, 1983.

The Office of the Comptroller is responsible for accounting for the loans and ensuring that they are repaid.

Medical Services

QUESTION:

Please explain how a reduction in the Federal Health Benefits program has "substantially increased the Department's liability for domestic and overseas hospitalization costs".

How much of the amount requested is attributable to the above reduction?

ANSWER:

The decrease in the Federal Health Benefits program benefits will be offset by increased reimbursements that the Department will have to make. Consequently, hospitalization costs for Foreign Service staff and dependents assigned overseas will increase by an estimated $1,500,000 including payments for medical care costs formerly covered by the American Foreign Service Protective Association (AFSPA) which will be exempt from paying for hospitalization expenses under the Federal Health Benefits Program.

Involvement of Ambassadors in Senate Campaign
Visa and Passport Operations

QUESTION:

The Department has supported attempts being made to enact legislation to permit waiver of visa requirements for selected countries. Is this still a viable option? What are your views on this?

ANSWER:

The Department of State's support for a non-immigrant visa waiver for selected countries is conditional upon development, by the Department of Justice, of an operational screening and monitoring system to control entry and departure of the beneficiaries of a waiver at our ports of entry.

A pilot program was included in last year's Simpson-Mazzolli legislation. This program has since been offered again by Congressmen Boner (HR 1021) and Roybal (HR 30) in separate proposals. The waiver of visa requirements is still a workable approach provided that appropriate controls are in place to monitor the entry and departure of non-immigrants. As it has in the past, the Department will continue to support any legislative efforts which will provide for such a non-immigrant waiver program.

Security of Embassies

The Department received $237.6 million in the FY 1985 Acquisition and Maintenance of Buildings Abroad Appropriations for the Acquisition, Development, and Construction of overseas office buildings. Included in this total was $175.5 million appropriated in the FY 1985 security supplemental to construct 13 new office buildings (NOBs) at high threat posts.

The FY 1986 request contains $139.1 million for 22 NOBs and other projects. Of these projects, 10 are in locations what the Office of Security considers to be in the serious, low, and minimal threat categories. (The two lowest of State's five threat categories.)

QUESTION:

What criteria does the Department use to determine which Posts will receive NOBs. To what extent is security a consideration?

ANSWER:

The Department of State ranks projects according to several factors. Security is the most important and a 0-35 scale is used, i.e. posts in the highest threat area are assigned 35 points. Other factors include the building's condition, the population density within the building, and a "must move," i.e. lease expiration on a 0-15 scale. Finally fire and life safety and a Property Value Analysis ratio are assigned points on a 0-10 scale. A critical condition in any one of these factors can cause a new building to be given a higher priority.

QUESTION:

The Inman Commission reported that 139 office buildings do not meet SY security standards and will need to be rebuilt. What priority will be given posts included on this list of unsecurable posts and when do you anticipate completing each of these projects?

ANSWER:

The Inman Commission report will play an important role in the development of a priority list of new office buildings. The Department is currently working on a five year plan to map out a program for construction. Upon completion of this plan each project will have a priority ranking, start up time and projected completion date.

QUESTION:

The Department has had difficulty finding adequate sites to meet the Office of Security's setback requirements for NOBs. Seven of the thirteen projects contained in the security supplemental currently do not meet the 100 feet minimum setback requirement. How many of the capital projects funded in FY 85 and requested in FY 86 will not meet this setback requirement? If adequate space is not available, how will the Department ensure that these NOBs will meet minimum security standards?

ANSWER:

In the FY 85 Capital projects only the Ottawa Chancery project does not meet the security setback requirements. To resolve this, we are pursuing a two pronged approach. We are reviewing an alternate site that would accommodate all the security requirements and simultaneously, we will be reviewing the proposed design on our existing site with the objective of adapting it to accommodate, to the extent possible, the new setback requirements.

In the FY 86 Capital Projects, the following projects do not meet the setback requirements:

La Paz, Bolivia - OBC/Construction. The architect has been requested to redesign the building so that the setback requirements can be met.

Georgetown, Guyana - OBC/Construction. No alternate site exists in Guyana, therefore all necessary precautions of reinforcing the building to meet security requirements will be taken.

Caracas, Venezuela - OBC/Construction. We are studying alternatives to insure that all security requirements will be adequately met.

Medical Services

QUESTION:

Would you provide, for the record, correspondence between the Department of State, the Office of Personnel Management, the American Foreign Service Protective Association and the General Accounting Office regarding the coordination of health benefits provided Foreign Service Employees under the Foreign Service Benefit Plan and Section 904 of the Foreign Service Act of 1980.

ANSWER:

The listing of attached correspondence is provided as follows:

Tab 1. Letter from the Office of Personnel Management to the Department of State dated December 27, 1984.

Tab 2. Letter from the Department of State to the Office of Personnel Management dated December 12, 1984.

Tab 3. Letter from the American Foreign Service Protective Association to the Department of State dated September 27, 1984.

Tab 4. Letter from the United States General Accounting Office to the American Foreign Service Protective Association dated December 27, 1985.

LETTER FROM GEORGE M. MACWHORTER, DEPUTY ASSISTANT DIRECTOR FOR INSURANCE PROGRAM, OFFICE OF PERSONNEL MANAGEMENT

December 27, 1984

Honorable Ronald I. Spiers
Under Secretary of State
For Management
Washington, D.C. 20520

Dear Mr. Spiers:

Thank you for your letter of December 12, 1984 to Kevin Burns, concerning the coordination of benefits provided Department of State employees by the Foreign Service Benefit Plan (the Plan) and Section 904 of the Foreign Service Act (the Act) of 1980.

We find your proposal to allow the Department of State to pay covered health expenses of its employees incurred abroad under the Act an effective means of handling the coordination of benefits issue. The Plan's brochure for the 1986 contract year may be amended to state that the Plan will not pay expenses that are covered under the Act and its implementing regulations.

We look forward to working with Mr. E. Gregory Krysa, Executive Vice President of the Plan, over the coming months to accomplish the proposed changes. We would also appreciate receiving for our records, a copy of the September 10, 1984 letter from the U.S. General Accounting Office expressing its agreement with this proposal.

Please let me know if I can be of further assistance in this effort.

Sincerely,

George M. MacWhorter

George M. MacWhorter
Deputy Assistant Director
for Insurance Programs

LETTER FROM RONALD I. SPIERS, DEPARTMENT OF STATE

December 12, 1984

Mr. Kevin Burns,
Assistant Director for Insurance Programs,
U. S. Office of Personnel Management

Dear Mr. Burns:

When the Federal Employees Health Benefits Act was enacted in 1959, the Foreign Service Benefit Plan was designed to supplement the health benefits provided under the Foreign Service Act. This special relationship between the Department and the Plan continued until March, 1979, when OPM Director Alan Campbell approved a proposal to amend the contract between OPM and the American Foreign Service Protective Association (AFSPA) to eliminate a burdensome requirement that called for the Plan to reimburse to the US Treasury a substantial portion of the annual premium as a safeguard against a possible US Government double payment of benefits overseas. In lieu of the reimbursement provision, individual claimants were required to reimburse the Department of State directly for expenses covered by the Foreign Service Benefit Plan which are incurred outside the United States.

For several years the Department and AFSPA have sought a mechanism acceptable to the General Accounting Office and OPM that would provide Foreign Service personnel with all the benefits to which they are authorized by law without burdening the Plan with a reimbursement provision. We have now determined that such a solution exists. By letter dated September 10, 1984, the US General Accounting Office conveyed its agreement with the premise that "coordination of benefits" would provide an effective alternative to the reimbursement provision and stated that specific details should be worked out between OPM and State.

After a complete review of its history I recommend restoration of the special relationship to take effect in 1986. Beginning January 1, 1986, the Department will accept sole responsibility for providing the benefits authorized under Section 904 of the Foreign Service Act of 1980 and implementing regulations (principally hospitalization or similar treatment for illness, injury, or medical condition incurred abroad) and will pay expenses covered by the Act without reimbursement from the Foreign Service Benefit Plan. We have included funds for this change in our FY 1986 budget which is subject to Congressional approval.

The Department hereby endorses changes in the Foreign Service Benefit Plan's contract with OPM that will allow its brochure to state clearly, that (beginning in 1986) the Plan will not pay expenses that are covered under the Department's Medical Program under authority contained in Section 904 of the Foreign Service Act and implementing regulations.

I would be grateful for your early agreement with the foregoing so that the Department may proceed with amendments to pertinent regulations and the required notification to our Foreign Service posts throughout the world.

Sincerely,

Ronald I. Spiers

LETTER FROM RICHARD H. FOX, JR., PRESIDENT, AMERICAN FOREIGN SERVICE PROTECTIVE ASSOCIATION

September 27, 1984

The Honorable Ronald I. Spiers
Under Secretary for Management
Department of State
Washington, D. C. 20520

Dear Ron:

By Action Memorandum dated January 30, 1984, you approved "...restoring the Department's special relationship with the AFSPA plan to take effect in FY 86 providing that (a) the present claims problem is resolved to the Department's satisfaction; (b) a formula for reimbursement acceptable to OPM and GAO is devised; and (c) as carefully as possible a projection of future costs to the Department is developed."

I am pleased to report that the three conditions, laid down by you, have now been met as follows:

1. The last of the claims, that we had previously referred to MED, was paid by the Foreign Service Benefit Plan on August 9, 1984.

2. The General Accounting Office has agreed with the Office of Personnel Management that coordination of benefits could provide an effective alternative to the current reimbursement procedures. See GAO letter attached.

3. The Association has worked closely with M/MED and M/COMP in developing a projection of future costs to the Department. A request for an increase of $1,500,000 is included in the 1986 budget.

The restoration of the special relationship with the Foreign Service Benefit Plan would, when coupled with some minor changes (for clarification) in the language of Section 904 of the Foreign Service Act, enable the Association to offer a low option plan at substantially reduced premiums to Foreign Service personnel serving abroad.

We deeply appreciate your support of our efforts to promote the advancement of the welfare of Foreign Service Personnel and their families.

Sincerely,

Richard K. Fox, Jr.
President

LETTER FROM JAMES R. LINZ, GROUP DIRECTOR, GENERAL ACCOUNTING OFFICE

September 10, 1984

Mr. E. Gregory Kryza
Executive Vice President
American Foreign Service Protective
Association
1750 Pennsylvania Avenue, N.W., Suite 1305
Washington, D. C. 20006

Dear Mr. Kryza:

This is in response to your April 27, 1984, letter seeking our approval of a change in the method used to prevent double payment by the government for health benefits provided Foreign Service employees stationed overseas. As we pointed out in our May 23, 1968, report, such employees can obtain health benefits from the Department of State under the Foreign Service Act or from the Foreign Service Benefit Plan under the Federal Employees Health Benefits Program.

In response to our recommendation that they work toward eliminating the possibility of a double payment on the part of the government, the Department of State and Office of Personnel Management currently require individual claimants to reimburse the Department of State for benefits paid by the Foreign Service Benefit Plan for services provided outside the United States.

According to your letter, Office of Personnel Management audit staff have suggested that the problem of possible double payment could, as an alternative, be handled through a "coordination of benefits" similar to those under Medicare and Medicaid. You stated that the coordination of benefits between the primary payor (Department of State) and secondary payor (Foreign Service Benefit Plan) would trigger an actuarial process which would decrease Foreign Service Benefit Plan premiums and the government's contribution. During a further discussion with a member of my staff you indicated that plan enrollees would pay a lower premium while overseas because they would not be receiving the same level of benefits as they would while in the United States.

GAO approval of the proposed change is not required. However, we appreciate the opportunity to review the proposal. We agree with the Office of Personnel Management that coordination of benefits could provide an effective alternative to the current reimbursement procedures. The details of that coordination of benefits should be worked out between the Department of State and Office of Personnel Management.

I regret the lengthy delay in responding to your request, and hope that this letter meets your needs. If we can be of further assistance please call me on 426-5246.

Sincerely,

for Stephanie J. McCrory
James R. Linz
Group Director

QUESTION:

Technical amendments to Section 904 of the Foreign Service Act of 1980 may be provided in the State Department Authorization Bill of 1986-87. Could these ambiguities be clarified by regulation rather than legislative amendments?

ANSWER:

A legislative amendment is needed to amend Section 904 subsection (d) which would give the Secretary of State the authority to expand the health care program to include medical examinations and other preventive and remedial care and services as necessary for members of the Foreign Service and the other agencies that participate by agreement in the Medical Program.

While the ammended legislation requires an additional $1.5 million in 1986 for payment of medical claims, the implementing regulation (3 FAM 680) would also have to be changed to allow for proper administration of such new benefits.

U.S. INFORMATION AGENCY

STATEMENT OF CHARLES Z. WICK, DIRECTOR, U.S. INFORMATION AGENCY

ACCOMPANIED BY:

- **GENE PELL, ACTING ASSOCIATE DIRECTOR FOR THE VOICE OF AMERICA**
- **RONALD L. TROWBRIDGE, ASSOCIATE DIRECTOR FOR EDUCATIONAL AND CULTURAL AFFAIRS**
- **W. KINGMAN, ASSOCIATE DIRECTOR FOR MANAGEMENT**
- **MICHAEL D. SCHNEIDER, DEPUTY ASSOCIATE DIRECTOR FOR PROGRAMS**
- **ALVIN SNYDER, DIRECTOR, TELEVISION AND FILM SERVICE**
- **STANTON BURNETT, COUNSELOR**
- **VICTOR H. LI, PRESIDENT, EAST-WEST CENTER, INC.**
- **THOMAS E. HARVEY, GENERAL COUNSEL AND CONGRESSIONAL LIAISON**
- **STANLEY M. SILVERMAN, AGENCY BUDGET OFFICER**

BUDGET REQUEST

Senator LAXALT. The subcommittee will be back in order.

We will now turn to review the activities of the United States Information Agency.

USIA is requesting a total budget of nearly $974 million for fiscal year 1986, an increase of $177.5 million over the appropriation for the current year. Appearing again on behalf of the agency is its Director, Charles Z. Wick.

Mr. Wick, earlier we briefly compared the funding levels for the State Department for next year with those of 1885. Unlike the State Department, USIA did not exist in 1885. However, I would note that in the fiscal year 1885 bill, $10,000 was allocated for the expenses of international exchanges of books and documents. So it appears that your agency's roots run deep.

Mr. Wick, I know that you wanted to present for the members of the subcommittee your very excellent production, which the chairman has seen, but I am afraid that our various subcommittee members, in view of the length of the State Department hearing, had other commitments with other subcommittees.

If it is acceptable to Senator Specter, perhaps we could dispense with this particular production now to save that amount of time. I am sure that a private showing can be arranged for the Senator any time he wishes. I recommend he see it.

I want the record to indicate this was exceedingly well done. It, in a very concise and compact 10 minutes, tells the story of USIA as well as any story of any agency.

Senator SPECTER. I would be very pleased to accede to your suggestion and arrange for a private showing.

Senator LAXALT. Thank you, Senator.

All right, Mr. Wick, you may now proceed with your opening statement and then we can proceed to questioning, however you would like to proceed.

PREPARED STATEMENT

Mr. WICK. In view of your time constraints, I will leave it up to you. We can dispense with the customary short statement and you can have the statement for the record.

Senator LAXALT. I tell you what I would like. We have the full statement for the record. Perhaps if you could for Senator Specter and myself summarize your position and high point your request. I think that would be adequate for the purpose here.

Mr. WICK. I think I can do that in about 2½ minutes.

[The statement follows:]

Statement of Charles Z. Wick

I am happy to be here today to present to you the appropriation request for the United States Information Agency for fiscal year 1986.

This request comes to you at a time when the United States faces many new challenges to its national security which can affect the daily lives of all Americans. Undoubtedly, the challenge from the Soviet Union is more serious than ever before, and Soviet efforts to manipulate other societies continue unabated.

This request is designed to reduce the grave inadequacies of a U.S. informational program that has been undercapitalized for decades.

In a volatile world, sparked by famine, civil strife and terror, the political fate of many societies hangs in the balance. Our deeply cherished democratic values are being questioned in much of the Third World. The choice of economic paths for many nations remains uncertain.

Whether other countries understand our policies, ideas and traditions is crucial to our own security and to the livelihood of all Americans. There can be no doubt that the Soviet Union sees this crucial moment in history as a great opportunity to expand its sphere of influence. That is why many feel so strongly that the work of USIA is more vital now than ever before.

Mr. Chairman, the proposed budget for fiscal year 1986 totals $973.6 million, an increase of $177.7 million over fiscal year 1985. In real dollar terms, however, the operating component of our 1986 request represents an increase of four-tenths of one percent above what USIA had in 1967 for program operations. This budget represents only one-tenth of one percent of the total proposed Federal budget for 1986, and our proposed increases over 1985 represent only one-fiftieth of one percent of the Federal budget.

With the funds that you have appropriated during the last four years we have undertaken many important new initiatives to bring this Agency into the age of modern communications, vastly increasing our ability to carry the U.S. message to people around the world.

Our posts in 50 countries now receive live interviews with top U.S. officials via satellite on our new WORLDNET system.

Fifty-eight posts will soon be receiving our daily "wireless file" transmission of official texts and news vital to the mass media abroad through new optical scanning technology and computers that speed information to them almost as soon as it is written.

Youth exchanges have increased by an additional 12,000 in the last two years alone. Other cultural and educational exchanges have increased substantially.

Today, the Voice of America, in the midst of a major modernization, broadcasts 224 hours more each week than in 1967 -- a 27.6% increase. These radio programs are broadcast in 42 languages, 7 more than in 1967. This year, we will send 650 of America's leading specialists abroad to talk about America and our policies, as compared with the 214 specialists sent in 1967.

Even more telling, we have been modernizing USIA and expanding our reach abroad with 3,000 or 24% fewer employees than in 1967, while this year we will operate in 129 countries, 17 more than we did then -- including China -- where one-quarter of the world's population lives.

These strenuous efforts to revitalize USIA -- bring it to the cutting edge of communications as we approach the Twenty-First Century -- are being done with the same or fewer constant dollar and personnel resources than were available to us in 1967. Considerable strain has been caused, especially at our overseas posts.

Some of you are personally familiar with our operations overseas. We have a superb corps of dedicated employees. Many are fluent in the local language. Our overseas employees are carrying out considerably more activity than was accomplished in 1967, in some cases under difficult security conditions.

But even with the very fine support of the Congress, we are a long way from being able to meet successfully the Soviet challenge. In 1982, the Soviets had almost four times the budget we had for its information activity. Even today, we are still far behind.

We recognize the special efforts that are being made to restrain the Federal budget. And, for actual USIA program activity -- the basic agency operations, e.g. -- TV, VOA, overseas programs and all basic support -- we are asking for only four-tenths of one per cent over USIA's 1967 program budget in real dollars after covering net cost increases.

Budget Impact of Special Requirements

A number of unusual circumstances and special requirements explain the rest of the requested increase. They are:

---The capital investment in VOA modernization as proposed by the President and supported by the Congress. President Reagan likened this commitment to the same kind "that President Eisenhower and President Kennedy brought into the space programs;"

---Specific exchange-of-persons programs, whose doubling over 4 years culminating in 1986 was mandated by the Congress, and to meet priority exchange needs in Central America;

---The National Endowment for Democracy, (known as "NED"), a private, non-profit corporation established by Congress to encourage and strengthen the development of democratic institutions and processes abroad;

---The opportunity to initiate TV capability in Berlin to get our message into East Germany and Eastern Europe;

---U.S. representation at the 1988 Brisbane World Exposition, which is of great importance to our Australian allies.

In the increasingly dangerous world where our foreign service officers work, our budget reflects a heightened emphasis on security. Last year alone there was an alarming 56 percent rise in terrorist-and threat-related incidents against USIA facilities overseas. We are applying $5.3 million approved by the Congress last year in the supplemental bill for the Department of State to our most urgent security needs.

But in a broader sense, the money we seek is security for all Americans -- for our national security. Not to buy military weapons -- but to provide the United States with another kind of protection and peace; the kind that is won when the people of one nation freely communicate their values and aspirations to the people of other nations, refute disinformation and other manipulative measures calculated to destabilize free world unity -- all through public diplomacy.

If our efforts are successful, the guns and missiles that we stockpile daily might never be used.

This is the heart of my message today and why this budget request is so important.

Speaking last year, President Reagan said that the U.S. Information Agency has recently undergone "a renaissance."

The renaissance the President was referring to was the updating of this Agency as a modern, effective and above all a peaceful way to strengthen American leadership around the world.

It is within the context of these fiscal conditions that we must maintain peace by waging a battle to reach decision makers, and the young people who are and will succeed them, around the world.

We know that in the countries where governments are elected through the voice of the people, public opinion prevails. But if the information they receive about us is distorted by disinformation, forgeries, lies, and mistruths -- of the kind transmitted by the Soviet Union -- then those people will be unable to make informed decisions.

Soviet Efforts

As previously noted, we estimate that the Soviets outspend us almost four to one in radio, information, cultural activities and educational exchanges. To put this in perspective, the Russians spent $2.1 billion dollars on information and exchange efforts alone in 1982, while the comparable U.S. total that year was only $600 million. The Soviets had 10 times as many employees at work spreading propaganda as we had to spread the truth.

Perilous misjudgments have caused two world wars in this century because people did not understand one another.

Recent USIA Accomplishments

Largely due to the firm support and interest of Congress, U.S. credibility and clarity have been strengthened abroad through USIA. With the funds appropriated to us over the last four years we have:

* Introduced WORLDNET, the first regular international satellite television network in the world, linking Washington with every continent and more than 50 countries;

* Made major strides toward implementing the long overdue $1.3 billion

modernization of the Voice of America with a program now replacing transmitters that are so old they belong in museums, and adding new studios, innovative programming, and more transmission hours that will allow us to reach more people around the globe;

* Brought our Fulbright Scholarship program back from the brink of extinction to the number of exchanges -- about 5,200 annually -- that we conducted in the mid-1960s and raised our overall exchange-of-persons programs to 8,000 annually;

* Invited about 350 mid-career professionals from developing countries to the U.S. through the Humphrey Fellowships Program begun in 1979 and increased the number of American experts (Amparts) sent abroad to 650 annually;

* Initiated the President's International Youth Exchange Initiative which has enabled 12,000 more teenagers in the U.S. and in 31 other foreign countries to plant the seeds of international understanding;

* Developed new avenues of cooperation between the government and the private sector by soliciting the help of 140 American volunteers -- all leaders in the film, communications, sports, and publishing industries and in the labor movement. These volunteers have raised about $4.4 million in private donations to support our Youth Exchange Program and have obtained the Charlie Chaplin film collection, and classical, opera and news programs for use by our overseas embassies;

* Established a sports exchange program called Sports America, which is opening up new dialogue for the U.S. in several Far Eastern and Middle Eastern countries that have not traditionally been receptive to more formal exchange programs. It has also provided additional training opportunities for African athletes who participated and won medals in the 1984 Summer Olympic Games;

* Created an Artistic Ambassador program which sends undiscovered world-class pianists on overseas cultural tours living with host families.

The renaissance President Reagan spoke of is a small investment when its cost is compared to the cost of weapons, yet while it is an active deterrence of misunderstanding, it can bring about the kinds of change that make weapons unnecessary.

We must allow this renaissance to continue.

VOA Modernization

Almost half of the added funds we are seeking in 1986 -- $83 million -- is for the modernization and expansion of Voice of America relay stations and construction of new broadcast facilities. We are asking you to continue the commitment begun by Congress in 1983 when you endorsed the concept of VOA modernization.

This money will allow us to construct new short wave and medium wave relay stations throughout the world and especially to begin construction of new facilities in Europe, the Middle East, and the Far East.

With these new stations, Soviet efforts to jam VOA's signal -- which costs them far more money than VOA's entire operating budget -- should prove to be less effective. It is our hope that people wanting to hear something other than government-censored news will finally have access to the truth.

I have just returned from Sri Lanka, Morocco, and Thailand where agreements were successfully negotiated last year to modernize existing relay stations. Other negotiations or discussions are under way with other governments about similar facilities.

We would also start construction of new badly needed studios at VOA headquarters in Washington. In 1984, construction of four modern broadcasting studios was completed and new overseas bureaus were opened in Geneva, Rome, San Jose, and Islamabad. We intend this year to put the Radio Marti Program -- the Cuban Service of the Voice of America -- on the air. In 1983, Congress passed legislation establishing a new U.S.-funded radio station aimed at broadcasting the "truth" about the Castro regime to the Cuban people.

VOA's news and current affairs programming is being enhanced. Callers throughout the world -- we have even received calls from Poland and China -- can tell us what they are thinking on our new call-in show "Talk to America". The program has featured guests such as former President Gerald Ford and the former chairman of the Senate Foreign Relations Committee, Senator William J. Fulbright.

If funding and diplomatic activity are sustained at a high level, by the end of this decade the United States will have an international broadcasting capability which will equal its position of influence and strength in the world.

Television Operations

We seek a one-time capital investment of $8 million to establish a TV station in Berlin -- an idea suggested by the mayor of that city. This TV station, patterned after the radio station in Berlin jointly owned and operated by us and the Germans called RIAS, or Radio-in-the-American-sector, would televise programs that could be seen by East Germans and other Eastern Europeans.

The Federal Republic of Germany would pay virtually all operating costs after this initial investment -- making RIAS cost-effective, as well as program-effective, on the vital border between East and West.

The creation of WORLDNET -- USIA's global television satellite network -- has proved to be a vital forum for explaining and clarifying U.S. foreign policy. As Congressman Dante Fascell, chairman of the House Foreign Affairs Committee, said in an article last year, the Agency's utilization of technology such as WORLDNET could determine "whether the United States will be a leader or a follower in the world and will decide the fate of the democratic ideas we cherish."

We are seeking an additional $3 million for WORLDNET in fiscal 1986 to install satellite dishes at overseas posts and upgrade our technical facilities to accommodate these and other rapidly expanding TV programs.

Since its start in the fall of 1983, WORLDNET has expanded from an occasional experimental service beamed to five European posts, to a regular weekly series of broadcasts -- more than 80 hours worth in 1984 -- received in 50 countries in Europe, Latin America, Asia and Africa.

According to a recent audience survey, one billion people saw WORLDNET programs on television via satellite during the last half of 1984 which included interviews with leading U.S. government officials, physicians, astronauts, and political analysts.

During fiscal year 1985 WORLDNET will go on the air two hours daily, five days a week, to Europe.

USIA's Television and Film Service also produces Satellite File, a weekly half-hour news program seen on TV in 96 countries. Since it was first offered in 1982, we have produced 95 editions (as of Mar. 29, 1985). It is now the Agency's most watched and successful broadcast program worldwide.

Educational and Cultural Exchanges

Radio and television broadcasting are key parts of the revitalized U.S. Information Agency, but educational and cultural exchanges still reflect the heart of our operation.

In fiscal year 1986, we are requesting $159.1 million for our educational and cultural exchanges budget, an increase of $28 million over the 1985 level. This increase will permit us to reach the level mandated in the "Pell Amendment" to our FY 82-83 authorization act, which directed us to double funds for certain exchange activities over a 4-year period.

To improve the cost-effectiveness of our exchange programs we have begun to bring more of our foreign visitors here in groups, when schedules and logistics permit. For example, a group of 400 Italian youths came here last year as one of that country's largest delegations through our Youth Exchange Program.

We began to implement the Congress-Bundestag Exchange Program, which brought 500 West German teen-agers selected by members of the Bundestag to America. A similar number of American teenagers, each sponsored by a member of Congress, were sent to West Germany.

The only female member of the Kenyan Parliament recently concluded a successful visit to this country through USIA's International Visitor Program. More than 500 visiting foreign opinion leaders and government officials observed our November Presidential elections. A Bolivian scholar who had been a leading leftist critic of this country returned from her 30-day International Visitor Program to the U.S. to express praise and admiration for Americans and American institutions.

When you look at a list of current world leaders you will discover that 40 of them and nearly 690 members of foreign cabinets and parliaments were introduced to this country through USIA's International Visitor Program. They include Argentine President Raul Alfonsin, British Prime Minister Margaret Thatcher, Lebanese President Amin Gemayel, Tanzanian President Julius Nyerere, and Portuguese Prime Minister Mario Soares. Our foreign service officers repeatedly tell us that dollar-for-dollar, this exchange program is one of the "most effective at any price in terms of enhancing public diplomacy and erasing cultural misperceptions."

Some 62,495 people have participated in this international exchange experience since its inception.

Central American Exchanges

In this hemisphere, we are attempting to carry out some of the objectives of the National Bipartisan Commission on Central America -- the "Kissinger Commission" -- by launching an educational offensive throughout Central America. With a total 1986 request of $24.5 million, we intend to expand a program of government-sponsored scholarships to bring Central American faculty and students to the U.S. and to increase the number of U.S. lecturers teaching in the region.

Security

Our FY 1986 request reflects a total of $1 million for routine overseas security needs. We have hired and trained 14 additional security officers and have begun site surveys, in cooperation with the Department of State, to determine the needs of our posts.

We depend upon supplemental funding provided through the Department of State for our major security projects. A total of $5.3 million has been provided so far this year, and additional funds are expected to be provided from the Department's pending request.

One of our present priority efforts is to procure easy-to-operate, hand-held VHF radio equipment which can be used by our officers who must work in especially remote locations.

Critical Book Program Needs

We want to close the appalling gap that we have with the Soviet Union in the number of books which we make available to foreign readers. For example, the Soviet Union is the world's fourth leading producer of books in the Spanish language, behind Spain, Argentina and Mexico. This may be one reason why they — not we — are having so much influence in Central and South America.

The USSR, which publishes 85 million books in other languages, including all 14 Indian languages, is one of the leading suppliers of reading material to the Third World, a situation we regard as a crisis. We cannot continue to ignore our international responsibilities in this arena.

At the specific request of the National Security Council we began to attack the problem and brought together a distinguished group of American volunteers in the publishing field. As a result of this review we are seeking $3 million to develop a worldwide book program initiative by expanding our support for the translation, publication, and reprint of books into major world and one-country languages, create an American presence at major international and national book fairs abroad and fund shipping costs for books donated to Third World countries.

Adjustments to Appropriation Structure

We propose to make two significant adjustments to our appropriations structure. With the determination that U.S.-owned Indian rupees will no longer be "excess," we are merging the local costs for the remaining excess currency countries into the regular "Salaries and Expenses" account. Local needs in Pakistan, Burma, Guinea, and Poland will continue to use U.S.-owned excess currencies purchased through the regular account. We also ask that funding for the National Endowment for Democracy be reestablished as an account separate from "Salaries and Expenses" as it was in 1984. The NED function is separate and distinct from regular USIA operations and activities.

Conclusion

We are experiencing a new wave of optimism in this country, which is being seen and felt abroad. Part of our job at the U.S. Information Agency is to convey some of the underlying causes of that new spirit and hope to the rising generation of countries such as Mexico, where young adults under the age of 20 now account for 56 percent of the population.

We must continue to reach millions of listeners in China who tell us that Voice of America White House reporter Philomena Jurey is one of the most listened to correspondents in their country and who rely on VOA as one of their principal means of learning the English language.

On Jan. 25, we formally invited the Soviet Union to join us in reciprocal television addresses and to jointly plan with us one-to-two hour satellite television dialogues on WORLDNET. This gesture could make a valuable contribution toward a thaw in East-West relations. We are hoping for a positive reply.

This is the cause of peace and freedom that we desire to serve as we tell the world about America and its people.

Thank you very much. I will be be happy to respond to any questions you may have.

BUDGET REQUEST

Mr. Wick. This request comes to you at a time when the United States faces many new challenges to its national security which can affect the daily lives of all Americans. Undoubtedly, the challenge from the Soviet Union is more serious than ever before, and Soviet efforts to manipulate other societies continue unabated.

This request is designed to reduce the grave inadequacies of a U.S. informational program that has been undercapitalized for decades.

Mr. Chairman, the proposed budget for fiscal year 1986 totals $973.6 million, as you have stated, an increase of $177.7 million over fiscal year 1985. In real dollar terms, however, the operating component of our 1986 request represents an increase of only four-tenths of 1 percent above what USIA had in 1967 for comparable program operations. This budget represents only one-tenth of 1 percent of the total proposed Federal budget for 1986, and our proposed increases over 1985 represent only one-fiftieth of 1 percent of the federal budget.

I know everybody gives you those kinds of statistics and if you put them all together you have a huge deficit. I am addressing this, however, to show the importance of the agency's security component here.

With the money that you have appropriated for us over the last 4 years, we have taken many important new initiatives to bring this agency into the age of modern communications, vastly increasing our ability to carry the U.S. message to people around the world.

Our posts in 50 countries now receive live interviews with top U.S. officials via satellite on our new Worldnet system.

If you saw this morning's paper, the Washington Post has a three-column picture of the Secretary of Defense illustrating laser factors in our Strategic Defense Initiative Program. This was carried around the world by Worldnet, although it is referred to here as the satellite program. The New York Times this morning referred to the U.S. Information Agency.

The Secretary's conference, interactive questioning by reporters of many nations, was carried throughout the world. Millions of people saw various critical segments. So we think that has been an enormously favorable technical breakthrough, in allowing us to present our opinions and our policies to the peoples of the world.

Fifty-eight posts receive our daily wireless file transmission of official texts and news vital to the mass media abroad through new optical scanning technology and computers.

Youth exchanges have increased by an additional 12,000 in the last 2 years alone. Other cultural and educational exchanges have increased substantially.

The Voice of America, in the midst of a major modernization, broadcasts 224 hours more each week than in 1967, a 27.6-percent increase. These radio programs are broadcast in 42 languages, 7 more than in 1967.

This year we will send 650 of America's leading specialists abroad to talk about America and our policies as compared with the 214 specialists sent in 1967.

Even more telling, we have been modernizing USIA and expanding our reach abroad with 3,000 or 24 percent fewer employees than in 1967, while we now operate in 17 more countries than we did then, including China, where one-quarter of the world's population lives.

But we are a long way from being able to meet successfully the Soviet challenge. In 1982, the Soviet Union had almost four times the budget we had for its information activity.

SPECIAL BUDGET CIRCUMSTANCES AND REQUIREMENTS

We recognize the special efforts that are being made to restrain the Federal budget. However, a number of unusual circumstances and special requirements necessitate our requested increase.

They are—the capital investment in VOA modernization. Almost one-half of the increase we are seeking in 1986, $83 million, is for the modernization and expansion of Voice of America relay stations and construction of new broadcast facilities. We are asking you to continue the commitment begun by Congress in 1983 when you endorsed the concept of VOA modernization. This money will allow us to construct new shortwave and mediumwave relay stations throughout the world and to begin construction of new facilities in Europe, the Middle East and the Far East.

I understand the congressional concern with any increases, which raises the question, to what extent will they be institutionalized and continue to grow each year. I would like to point out that as of 1983, when Congress indicated its intent, we proposed about $1.3 billion to build a new Voice of America plant by 1990. Essentially this is the figure we are committed to. We have other sites in mind that might subsequently be necessary, but that would be up to your judgment. Between now and 1990 we would hope to have a new Voice of America. At that point there would not be an institutionalization of new construction for another Voice of America.

Other special requirements are—specific exchange-of-persons programs, whose doubling over 4 years culminating in 1986 was mandated by the Congress, and to meet priority exchange needs in Central America. In fiscal year 1986, we are requesting $159.1 million for our educational and cultural exchanges budget, an increase of $28 million over the 1985 level. This increase will permit us to reach the level mandated in the Pell amendment to our fiscal year 1982–83 authorization act.

The National Endowment for Democracy was also created by the Congress, and is a passthrough for what we regard as a worthwhile project.

The opportunity to initiate TV capability in Berlin to get our message into East Germany and Eastern Europe which we think is an important way to fight the war of ideas.

U.S. representation at the 1988 Brisbane World Exposition, which is of great importance to our Australian allies. It is sanctioned by the Board for International Expositions, of which we are a member. Australia has participated in our expositions and other nations look for reciprocity when they participate in ours.

Then the request also includes an increase of Worldnet, which I hope many of you know about, USIA's global television satellite network, which has proved to be a vital forum for explaining and clarifying U.S. foreign policy.

As Congressman Dante Fascell, chairman of the House Foreign Affairs Committee, said in an article last year and reaffirmed this year, the agency's utilization of technology such as Worldnet could determine "whether the United States will be a leader or a follower in the world and will decide the fate of the democratic ideas we cherish."

We are seeking an additional $3 million for Worldnet in fiscal 1986 to install satellite dishes at overseas posts and upgrade our technical facilities to accommodate these and other expanding TV programs.

SECURITY MEASURES

Finally, in the increasingly dangerous world where our foreign service officers work, our budget reflects a heightened emphasis on security. Last year alone there was an alarming 56 percent rise in terrorist and threat related incidents against USIA facilities overseas. We are applying $5.3 million approved by the Congress last year in the supplemental bill for the Department of State to our most urgent security needs.

But in a broader sense the money we seek is security for all Americans, for our national security. Not to buy military weapons, but to provide the United States with another kind of protection and peace, the kind that is won when the people of one nation freely communicate their values and aspirations to the people of other nations, refute disinformation and other manipulative measures calculated to destabilize free world unity, all through public diplomacy.

If our efforts are successful, the guns and missiles that we stockpile daily might never be used.

This is the heart of my message today and why this budget request is so important. I reiterate, it is a request which is only four-tenths of 1 percent over our 1967 level in constant dollar terms for comparable programs. It is a budget which gives the Congress and the American people full value for their dollars.

Thank you very much, Mr. Chairman. I would be happy to proceed to questions.

Senator LAXALT. I thank the Director.

STATUS OF RADIO MARTI PROGRAM

You are engaged in many worthwhile activities. I will be frank and tell you that this chairman gets more questions recently in relation to Radio Marti than anything else. Where is Radio Marti and what has been going on? What do you think is going to happen here?

There has been increasing impatience on the part of some of the members of the subcommittee as to what the delay is all about. I have attempted to explain it to them. But I would like to have you reinforce that for the purpose of the record.

Mr. WICK. Certainly. Radio Marti legislation was passed in October of 1983. Appropriations for Radio Marti were approved in November 1983. As you know, right up until the last, prior to the passage of final legislation, Radio Marti was contemplated to reside in the Board for International Broadcasting. We were very agreeable to taking on the charge of starting a new journalistic enterprise from scratch.

The problems relate to a target of 187 positions to be filled to fully man Radio Marti. The logistics included finding offices for Radio Marti here in Washington, the construction of studios, the designing of architectural specifications for studios, their implementation, the period of time necessary to let those contracts on a competitive basis, the appraisal of the necessity for facilities in Miami close to the Marathon VOA transmitter, and architectural and engineering assessments of the adequacy of the Marathon site which the legislation consigned to the Radio Marti transmitters. The evaluation determined that the old transmitter in Marathon needed to be replaced urgently. That transmitter is in the process of installation at this particular period of time.

All of these physical kinds of efforts took a lot of time and a lot of planning. However, the biggest problem—the central problem—relates to the quality of Radio Marti, the efficacy with which it would deliver its message to the Cuban people.

The process of clearing very sensitive positions took 4½ to 6 months each. Why the sensitivity? There are various levels of security that apply to the personnel structure of Radio Marti. People in the news areas will have to have a high classification because they are going to be dealing with classified material in determining what of relevance can be utilized. Others will have lower levels of security clearances for I think obvious reason.

ADEQUATE SECURITY CLEARANCE

Paramount, of course, under all circumstances, is the fact that we want to ensure an adequate security clearance. We do not want our efforts to be subverted by those who would seek to do so from within Radio Marti.

The number of people that was interviewed was in the hundreds and hundreds, trying to find suitable people. This took a substantial period of time. There is trial and error involved. I presented some months ago to the relevant committees a book this high that delineated every single position that had to be filled, a chronology of the logistics that were involved. And the bottom line is that we had on board as of January 1 about 98 or 99 positions filled. I think we have about 119 as of today.

We had a lot of adverse comments early in January from people who were very impatient, stating that we were going to be on the air by Jose Marti's birthday, which was January 28. I said that we were not ready. And the people who were critical, and I can certainly understand that, felt we ought to at least start with the 2 or 2½ hours a day that we felt we could do then. I thought this would be the wrong implementation of the intent of Congress. I promised that we would be operating 14½ hours a day to provide a time span where the majority or the greatest potential Cuban listenership might be achieved as against 2 hours when maybe a great portion of the population was going to be occupied with something else.

As of the last 3 weeks, Radio Marti, even though we have not fulfilled our 187 optimum complement, is broadcasting every day, 14½ hours, inside the building. Those broadcasts and the material, commentary, news reports, and features, are being critiqued by people of outstanding Cuban background in literature, the arts, news.

I can assure you that when Radio Marti does go on the air, it will be a high quality fulfillment of what Congress intended.

As to the length of time, the BBC takes approximately a year to put on a new language service. Why don't I let Gene Pell, who is the Director of Voice of America, and along with me has responsibility for Radio Marti, be a little bit more specific. We had a question which we have answered in writing from Senator Hollings stating, I think it was May 1984, that we would be on the air within 6 months; 6 months have gone by and another 6 months. After making that statement, I immersed myself in Radio Marti.

I found that as an entrepreneur there were so many factors that had to be brought in—logistical, personnel, financial, and others—that there was no way that we were going to be on the air in 6 months.

As I promised Chairman Neal Smith when he approved the original budget for Radio Marti, and knowing of his radio connections and the concerns that the NAB had prior to the Radio Marti legislation passing, that after the first year, we are going to be scrutinized closely. People are going to ask why it took that kind of money, as against the radio station here in this country where you can go on the air with canned material from the wire services.

We had to create our own research staff. We are broadcasting to Cuba about Cubans. There is no such research group available anywhere in the world, with AP, UPI, others.

Senator SPECTER. I wonder if you would mind, Mr. Chairman, if the Director would yield for another matter.

Senator LAXALT. Certainly.

Senator SPECTER. I have a commitment elsewhere. I wanted to ask one question before you finish on Radio Marti.

EFFECTIVENESS OF USIA PROGRAMS

How do you evaluate the overall success of your agency? Do we have any way for making a determination as to how well we are getting through to the Soviets, for example?

I think that this might be an unusual opportunity for us to have a breakthrough with the new Soviet leader in terms of the possibility of greater citizen interest on the Soviet Union's part on upgrading their standard of living and et cetera. I just wonder if we have any discernible way of determining the success of telling the Soviets about our way of life, especially with respect to economic advances and so forth.

Mr. WICK. You mean economic advances here in this country?

Senator SPECTER. Yes; are we making an impact on the people who live in the Soviet Union to try to see if that would produce some indirect pressure on Soviet leadership to divert some of their funds from armaments and put it into economic programs in the Soviet Union?

Mr. WICK. We are making progress. Because of that closed society, we must extrapolate various pieces of evidence we believe to be credible.

One way, of course, is that we have people that are monitoring in the Soviet Union the reactions as well as our signal. We get approximately 260,000 or 280,000 letters a year from around the world, including some from some closed societies. I will let you take over in just a minute, Gene.

Senator SPECTER. What closed societies do you get letters from, Mr. Wick? That is very interesting.

EVIDENCE OF VOA EFFECTIVENESS

Mr. PELL. Senator, we do get some mail from inside the Soviet Union. We get a considerable amount of mail from Eastern Europe.

I think there are many ways of measuring effectiveness. Certainly the mail count is one of them. I think I can give you two or three other concrete examples.

For example, in 1983, the U.S. Embassy in Sofia held an exhibition relating to the American space shuttle. The only promotion of that was on the Voice of America. It caused 3,500 Bulgarians to show up at the embassy on the first 2 days of the exhibition. As a matter of fact, Bulgarian authorities erected street barriers and refused to let people inside until we stopped promoting the fact that the exhibition was being held.

In Czechoslovakia the Ambassador every year visits 13 sites in Moravia to lay wreaths at the burial sites of American flyers shot down in World War II. We heard from the Ambassador this year that despite heavy rains there were enormous crowds that came to the 13 sites for the occasion. All had been brought there due to the fact they had heard the story on the VOA that this commemoration was being held.

I was in China last August with a VOA delegation on an official visit to Radio Peking. We were in six different cities. We were mobbed at every location, particularly by a lot of young people who talked about specific personalities, specific programs, how they were learning English from our broadcasts.

I served as the NBC news correspondent in Moscow 2½ years before I came to the government. I have some personal knowledge of the impact the Voice of America, the BBC, and other international broadcasters have inside the Soviet Union. I would not be sanguine in assessing what potential impact those broadcasts may have on forcing a change in the thoughts, actions or otherwise of the leadership, however, but I certainly am personally aware of the fact that there is a large listenership, that our broadcasts are believed, that they are important.

We do one program each week on religion in the Soviet Union. The writer and host of that program, Father Victor, was recently visiting the Soviet Union. He came back and expressed his amazement at how many people sought him out, were aware he was there, talked about his broadcast, and, significantly, talked about people in the countryside where our signal gets through much better than in the cities because of much more intense jamming. People record those broadcasts and then distribute them to people within the cities, as a matter of fact.

So I have no question in my mind that the impact is there, but whether that can be translated into the kind of pressure you suggest on the leadership I don't know.

Senator SPECTER. That is very interesting. I very much appreciate that information.

Mr. WICK. I would like to add something to that. Alexander Solzhenitsyn and others have told how their early listening to the Voice of America stirred them to a greater awareness of the fact that their system rarely encouraged change.

SOVIET ATTACKS ON VOA AND WORLDNET

One way that we find to be highly correlated to the degree of impact is the temperature or the ferocity of the attack on Voice of America and our Worldnet.

Senator SPECTER. Are you being attacked pretty strongly?

Mr. WICK. Pretty strongly. I am not talking about the American press. I am talking about the Soviet press.

Senator SPECTER. So was I, Mr. Wick. [Laughter.] Your American press has been very good.

Mr. WICK. Thanks for your support.

Mr. Zamyatin published a letter in the Literaturnya Gazeta which has a 3 million weekly circulation. It is a nonparty organ there, but very influential. That letter attacks Worldnet and attacks the Voice of America for piracy of the air waves and subverting the socialist system by trying to portray false and inimical sorts of values, and particularly attacked Worldnet because we were contaminating the media that were participating in Worldnet.

So I wrote him a letter on January 25 suggesting to him that he participate in our Worldnet, which is satellite teleconferencing. The people, the media and others in the host country don't have to participate if they don't want to. These are impromptu, unrehearsed situations. And therefore, we feel that if he had any objections to our trying to corrupt people, we would be delighted to have him participate.

I made him two offers. One to allow Soviet journalists to participate in the Worldnet with our leaders, and then I would conversely hope that American journalists would have the same opportunity by satellite to interview, no holds barred, as is our want, Soviet leaders.

The second offer was that if they would allow one of the top leaders, or any of the top leaders, to go on American television, I felt sure the networks, whom we do not control, would be agreeable, then we would expect him to let one of our leaders on the Soviet networks, because in fact in our arms process, if we are seeking an environment of greater understanding, as you alluded to, with the Soviet people, we feel that could promote understanding and hopefully ease tensions.

Senator SPECTER. Thank you very much.

Mr. WICK. I will send to you and, if you wish, put in the record this information. Here are two summaries of VOA feedback for 1984 and the summary of VOA listenership for 1985, which is replete with as much evidence as we can garner, which I am sure you will find credible, interesting and informative.

Senator SPECTER. I would like to review those. Thank you, Mr. Wick and Mr. Pell.

Mr. Chairman, that was the question I had as to success rate. I appreciate your permitting the interruption.

Senator LAXALT. We can include the reports in the record for our colleagues.

Mr. WICK. And the Zamyatin letter.

Senator LAXALT. Very well.

[The information follows:]

SUMMARY—FEEDBACK 1984

Surveys conducted under the auspices of USIA Research provide data on audience size and demographics. A constant stream of feedback from other sources -- listener mail, press reports, comment from emigres, and observations by visitors touring foreign countries or those coming to the U.S. -- offers insight on who is listening and what they feel about VOA broadcasts.

REACHING OUT

More than ever it seemed, VOA services were in direct touch with their listeners and media in the countries to which they broadcast. In December '84 for example:

- VOA Amharic's fund-raiser at the Holiday Inn garnered more than $35,000 for famine relief in Ethiopia. Guest speakers for this event were Congressman Howard Wolpe, C. Payne Lucas of AFRICARE, Dr. Aklilu Habte of the World Bank, and Tim Knight of AID.

- VOA Spanish, as requested, provided Venezuela's national radio network, with live, satellite-fed coverage of President Jaime Lusinchi's meeting with President Reagan. In a second VOA-South American media hook-up that week, Rome correspondent Roger Wilkison reported in Spanish on the Beagle Channel agreement ceremony for networks in Chile and Argentina.

- VOA Chinese met with a Mass Communications delegation from the PRC. The group's secretary, Zhang Yifan, has not only listened to VOA but written about the broadcasts as well including an article in the December issue of Journalism Commentary on "The Nature of VOA and its Propaganda Techniques." Mr. Zhang praised VOA for rapid news reporting, citing our coverage of the Chinese Pacific missile test in 1980 which was a day ahead of the Xinhua wire service and felt VOA now plays a more independent role as an instrument of foreign policy.

ARTISTS AND HEADS OF STATE

- Egyptian film director Samir Seif told us that he is a regular VOA Arabic listener, "because I am interested in the various aspects of American life in general and cinema in particular (and) believe that VOA is distinguished by neutrality and objectivity."

- Twice during the year, Japanese newspapers reported that Prime Minister Nakosone was a morning listener. He was quoted as having learned of the Kitty Hawk-Soviet sub collision from VOA and heard VOA's account of his nomination "while brushing his teeth."

- Sudan's President Jafaar Nimeiri -- during an interview for the Arabic Service -- commended VOA for its factual and objective reporting about his country.

- On learning that one of his favorite Radio Tunis reporters, Fatma Azouz, was participating in an exchange program with VOA, President Bourguiba commented that it was "truly wonderful (that) one of our good people would be on the staff of VOA."

- Emmy-award winning director Ilie Hagopian told us that VOA's interview with him "was a great success in Romania." After its broadcast, his father received more than 25 phone calls from friends and strangers, and the weekly Saptamina quickly published a story about me and the Emmy."

- Artist Albert Shvili told the USSR Division that while in the Soviet Union, he had listened to both our Georgian and Russian Services, but preferred the latter for language usage and content. Today, however, he would tune-in the informative, relevant and well presented Georgian programs.

OTHER VIEWS ON VOA GEORGIAN

- An American journalist who talked with VOA Georgian listeners in Tbilisi -- students, journalists, teachers, architects, photographers, actors -- wrote to pass along their comments. The broadcast time is really too early, they told her, but the programs have improved, especially the quality of language usage. Students also mentioned that while they can hear and understand VOA Russian programs, they listen exclusively to the Georgian broadcast, preferring its original (tailored) content. "I came away with the feeling," she added, "that the VOA's Georgian Service is a little like a campfire to these people: they warm themselves around it, receiving stimulation and warmth."

- These broadcasts also concerned Georgian-language print media in the USSR. A newspaper for youth claimed that "VOA had become the number one subversive radio center whose main business is anti-Sovietism and anti-communism, while the magazine Ziskari carried a six-page article on VOA/USIA titled, "Problems of Fighting Against the Ideology of the Bourgeoise."

RELIGION, HUMAN RIGHTS--SIGNIFICANT VOA RUSSIAN TOPICS

- Father Potapov, editor of the RELIGION IN OUR LIFE series, visited the Soviet Union in late '84 where he met many people who could hardly believe that the editor of this VOA Russian program was actually visiting their country. There is, he learned, enthusiastic support for programs on religion. To listen in spite of the jamming, Moscovites ask suburban friends to record the broadcasts.

- The Russian Service's role in conveying U.S. support for human rights was recognized by the Jewish Organization of Central New Jersey at ceremonies on December 9 attended by some 400 people including members of the Congress.

CONOVER...HONORED IN POLAND

MUSIC USA MC Willis Conover was given an "incredible official reception," in Poland during his visit for the 1984 Jazz Jamboree, Embassy Warsaw reported. At the airport, he was met by officials of the Polish Jazz society, three camera crews including Polish TV and Film Polski, and a jazz band playing his "A Train" theme . Videotapes of the welcoming ceremony and and an interview with him were telecast three times on Polish TV over the next several days. He was honored several times during the Jamboree itself and presented a crystal cup commemorating the 25th anniversary of his first trip to Poland.

A REPORTER'S NOTEBOOK ON VOA LISTENING

Economics editor Barry Wood learned just how closely VOA reportage is followed while covering developments in South America and the Interamerican Development Bank's meeting in Uruguay. At the Punta del Este conference, the Economist and Financial Times correspondents told him they were regular VOA listeners. His name, and that of Spanish Branch economics reporter Oscar Minosa, were also recognized by Argentine journalists at the conference and Minosa's reports, he was told, are rebroadcast by dozens of Latin American stations. In

Buenos Aires, three American bankers were among those who said they depended on English's REPORT TO THE AMERICAS, while on the return plane trip, two World Bank specialists on Africa noted that VOA and BBC broadcasts are piped to guests at the leading hotel in Lilonowe, Malawi. A few months later, Wood received a letter from the general manager of an Indonesian corporation who said, "BBC's financial news used to be the most important, but now your program is..."

VOA NEWS - A SOLID BASE FOR UNDERSTANDING

A listener in Iraq wrote, "VOA stands foremost as the station with the richest content, factual news, candid expression and democratic thinking. You have eliminated the wall that separates a radio station from its listeners, thus building a broad and solid base throughout the Arab world."

Subsequently, VOA Arabic correspondent Mohamed Ghuneim, on assignment to cover the Gulf War, was welcomed by Iraqi officials who promised him a visa at any time. While there, Ghuneim observed that there appears to be wide listenership to VOA Arabic's Newsnight program.

VOA - NEWS SOURCE & MODEL FOR FOREIGN MEDIA

- VOA's interview with Assistant Secretary Palmer on US-Yugoslav relations broadcast by the Serbo Croatian Service in January 1984 became the subject of a 90-line front page story in Politika, Yugoslavia's most influential daily paper. Long excerpts from the interview were quoted with attribution to VOA.

- The Arabic Service's interview with Egyptian Foreign Minister Esmat Abdel Meguid last October was transcribed and printed on page one of the English-language Egyptian Gazette.

- A talk with with UCLA Professor Stanley Wopert, author of "Jinnah of Pakistan" on VOA Urdu was reported on the front pages of three Pakistani newspapers (two Urdu and one English) and carried by the Associated Press in Pakistan.

- The director of the Samleng Khmer Radio, a resistance station near the Thai-Kampuchea border told VOA reporter Tes Saroeum that his station not only follows VOA Khmer broadcasts, but copies their formats as well. He praised language usage on the Voice broadcasts, noting that the service is unlike other Khmer-language stations which tend to use coarse language to insult their enemies.

TRAVELLERS' ADVISORIES

- Tourists at VOA last August heard testimony on the effectiveness of VOA broadcasts from a fellow tourist, who it seems, was a Czech emigree. He described the popularity and importance of the broadcasts in his native country and said their tax dollars were well spent on VOA.

- Visitors to and from Latvia provided insights. A visitor from that country paid a surprise call on us and passed along some fresh observations on VOA listening there. Our breakfast show, we were told, is not as heavily jammed as our other broadcasts, but is at an inconvenient time; VOA listeners, the visitor added, gather in groups to share special programs such as those on religious holidays and, of course, Latvian Independence Day. An American traveller brought us a quickly, scribbled note handed to her in Riga by a young listener who wants to hear even more discussion about meetings which relate to Latvian freedom and more rock music by Latvian groups in the West. "Continue to speak for us," he urged for, "our mouths are muzzled and our hands are tied."

- A Radio Liberty staff member who visited Sinkiang Province last October learned that people there have been turning to VOA Uzbek broadcasts as their main source of foreign news since RL stopped broadcasting in the Uighur language several years ago. VOA Uzbek reception in the area, he reports, is very clear.

- An Albanian who escaped from his country two years ago visited VOA last year. He had been a regular listener before leaving his country and knew of many others who were as well. "VOA broadcasts," he told us, "serve as morale boosters as well as a source of information." Meanwhile, visitors from Yugoslavia tell us that the Albanian Service is widely listened to in their country. For example, one visitor said, he had seen a group of ten or fifteen students gathered in front of a university building in Prishtina listening to VOA Albanian. (There are 1.3 million Albanian-speakers in Yugoslavia.)

LISTENERS ENJOY COUNTRY MUSIC

During 1984, VOA's increased programming on American country music and began offering live coverage of significant events such as Charlie Daniels' annual Volunteer Jam. Last May, for example, country music star Charlie Daniels visited us to draw the names of VOA T-shirts winners from some 500 entries received in response to an offer carried only during live coverages of the '84 Volunteer Jam in English, Hindi, Spanish and Polish. In December, VOA Polish carried Christmas wishes from twenty country music artists which had been recorded in Nashville by broadcaster Rose Nowotarska, who in 1984, produced more than 50 programs on country music, many featuring interviews with noted performers. Her listeners responded enthusiastically: fan clubs formed in Warsaw, Otwock and Nowa Huta and the Polish Service received more than 2,000 letters about the programs.

LISTENERS EVERYWHERE CRITIQUED PROGRAMMING AND SIGNALS

Morroco, - "You focus effectively on (U.S.) domestic news and keep us informed about important developments in every field. This is important to us because America is a leader. It is the only country which feeds every other country in the world not only materially but also intellectually and morally."

Pakistan, - "No other foreign broadcaster can match your Urdu programs for information, interest and truthfulness, (but) it would be better if you increased your morning program from 30 minutes to an hour.

Cuba, - "I listen to your programs morning and evening. I like the idea of doing telephone interviews. It is a shame it cannot be done here, but they do not allow anybody to freely express feelings, especially not to the VOA, which tells us so many truths. I must tell you that over 60 percent of the people here listen to you. They have jammed you and intercepted you, but we still listen because it is the only way we can find out what is happening in the world."

Egypt, - "Your efficiency and objectivity in covering news stories whenever and wherever they break, are admirable. Likewise, we admire your variety shows and features which entertain and enrich our minds with useful information."

India, - "I listened with great interest to VOA's coverage of the Olympics in Los Angeles. The indepth and on the spot coverage of events, interviews with athletes and reports on their training and background, were out of this world!"

Nigeria, - "Thank you for bringing us live coverage of breaking events at the Democratic and Republican conventions. We enjoyed VOA's coverage of these events and I for one felt I was on the scene. VOA reporting is realy superb and I commend all of the staff."

China, - "There's always a jamming noise from somewhere -- well you know where. So I wish your station could send out superpower broadcasts to put down those annoying noises."

France, - "I try to listen as often as possible - if I can hear you. Your VOA programs are very enjoyable and the presentation is excellent. Congratulations. But Radio Moscow is a plague! It's constantly interfering on several bands."

Thailand, "I highly commend your programming...(but) your transmitter power is less effective than that of Radio Peking. If your excuse is the distance, why not consider setting up a nearby relay station. As the technological leader of the Free World, your signal quality should be stronger than that of the communists."

Saudi Arabia, "You work so hard in preparing such good programs and your listeners are ever so keen to listen, but this continous jamming (interference) spoils everything. Please do something about it."

Poland, "Your programs enable me to take my bearings and to find out what's really going on in Poland and in the world. When I think of the thousands of students thus enriching their knowledge of the world - it must eventually enhance mutual understanding and friendship among nations. This is why your activity deserves our fullest support."

SUMMARY—VOA LEADERSHIP, 1985

The VOICE OF AMERICA attracts and holds listeners from every part of the world. Surveys among foreign publics and letters from VOA listeners reveal that:

> **VOA appeals to all population groups. Although the composition of VOA audiences differs from country to country, almost all listeners are politically inquisitive and interested in other societies.**
>
> **The principal reason people tune to VOA is to hear news. Listeners laud VOA for timely coverage, on-the-spot reporting and objectivity.**
>
> **Information about all aspects of America is also a major reason for listening. American achievements in science and technology, the U.S. point of view on issues, and American culture and music are all important for listeners.**

Although VOA's appeal can be amply documented, the number of VOA listeners worldwide can only be estimated roughly. To establish the size and program interests of VOA audiences, USIA has commissioned or obtained surveys measuring listening to foreign radio in 58 countries in the past eight years. In addition, interviews conducted in Western Europe with

travelers from communist countries form the basis of audience estimates for five Eastern European countries and the Soviet Union.

To estimate VOA audiences worldwide, survey findings of listening patterns are applied in a computer simulation to non-survey populations.* To do this, countries are first grouped into geographically contiguous areas; within areas, by language and levels of development. Listening rates from surveyed countries are then extrapolated to non-survey countries. The estimated audience totals are then added to yield area and worldwide totals.

These steps do not fully compensate for the fact that some of the survey results are dated; the estimates' reliability therefore varies from region to region depending on the recency and coverage of surveys. Many studies sampled urban areas only, making it necessary to estimate ratios of urban to rural listening rates on the basis of data from nearby countries. Neither are the survey data up to date with VOA's improvements in signal delivery to some areas and its addition of new language services. In some areas (China and Central America) special estimates were done, in the absence of other data. The procedure builds an estimate from the ground up, step by step, rather than making sweeping guesses about broad areas.

The following general conclusions emerge from the estimates:

> Worldwide, some 120 million adults regularly listen to VOA. This estimate is limited to people aged 15 years and older who listen to VOA at least once a week. It does not include occasional listeners or "indirect" listeners -- those who hear VOA programs re-broadcast on domestic stations. Indirect listenership is believed to be considerable in Africa and Latin America.
>
> VOA is most popular in Eastern Europe, where country listening rates vary from 17 percent to 45.5 percent; in the Soviet Union, the estimated rate is 11.5 percent.
>
> In countries of Africa, the rates range broadly between 1 and 20 percent. VOA listening rates in Francophone Africa have been hurt in recent years by new competition.
>
> In the Arab world, listening levels among national adult populations range from 1 to 11 percent.
>
> East Asian and Western European listening rates to VOA are comparatively low: between 0 and 1.5 percent.

ESTIMATING VOA LISTENERSHIP WORLDWIDE

Worldwide, some 120 million adults (aged 15 and older) regularly (at least once a week) listen to the Voice of America. This estimate excludes the many who hear VOA programs locally re-broadcast on domestic stations.

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*The estimate for China is not based on audience surveys; it is an informed opinion based on media studies and the findings of the 1982 Chinese census.

VOA LISTENERSHIP WORLDWIDE

Region	Adults who listen to VOA at least once a week (in millions)
West Europe/Canada	2.1
East Europe	29.9
USSR	23.6
Near East/North Africa	7.0
South Asia	15.7
Sub-Saharan Africa	13.1
East Asia/Pacific	2.4
China	20.2
American Republics	4.9
Caribbean	1.1
TOTAL	120.0

These estimates are based on studies examining the reach of international broadcasters. The one exception is China, where the number of listeners represents an informed guess based on media surveys, interviews with professionals who have worked in China, and recently published findings of the 1982 Chinese census. In Central America, audience estimates are partially based on interviews with urban residents who have at least some secondary education. Results from those interviews were adjusted to represent national listening rates. For all other countries, the number of VOA listeners is derived from the findings of surveys conducted among foreign publics.

Surveys of foreign radio listening from 58 countries have been used in this estimate. Of these, 29 were national and 29 were urban-only samples. All data are from 1975 or later; 45 surveys are at least as recent as 1980.

Estimates of listening levels in the European communist states are based on interviews in Western Europe with travelers from the USSR and five East European countries.

To estimate VOA's global reach, the listening patterns derived from survey findings were applied to unsurveyed populations. Projections were made by grouping countries into geographically contiguous zones and within those geographic regions by cultural and linguistic similarity, level of economic development, and media environment. Whenever possible, projections were made on the basis of results from two or more surveyed countries.

The reliability of the estimates varies from region to region, depending on when the country surveys were done and what populations were covered.

> In most industrialized countries (Western Europe, Japan and the USSR) and in East Europe, surveys of national populations were done in the 1980s.
>
> In developing countries, survey coverage and recency varies considerably. Several countries not surveyed since the early 1970s are presently being re-surveyed to remedy the problem of an aging data base.

Because not all countries have been surveyed and because some surveys are dated, many assumptions have been required to produce regional and worldwide figures. For this reason, the estimates of VOA's reach must be viewed as very rough approximations with a potentially large margin of error. To avoid giving the unwarranted impression of precision, figures are rounded to the closest 100,000 listeners.

WHO LISTENS TO VOA

VOA attracts listeners from all population groups -- from young and old, urban and rural residents, laborers and professionals. A characteristic common to most listeners is that they are politically inquisitive and interested in other societies. VOA listeners, as with international radio listeners in general, appear to be mostly males.

In the developing countries, VOA's appeal is strongest among adults with secondary or higher education. In some countries, VOA attracts up to 45 percent of the university-educated adults. Surveys indicate significant regional differences:

In industrialized countries, there is less demographic variation among VOA listeners than in the developing world.

In the LDCs, there are greater differences between urban and rural listening rates:

> In Africa and Asia, VOA appears to have wider appeal in urban than in rural areas.
>
> In Latin America listening levels tend to be slightly higher in rural areas than in the more media-rich cities.

These conclusions have to be viewed with caution for, as already noted, current data on listening levels are available in only a few countries. Application of the results of surveys done in the early 1970s probably underestimated current listening levels for rural areas.

WHY PEOPLE LISTEN TO VOA

Surveys have invariably found that listener interest in news and news-related programs is the principal reason for listening to VOA.

> In the information-rich countries, VOA is a supplemental source of information. Listeners point out that listening to VOA permits them to compare and contrast the manner in which events are treated by different news sources.
>
> In countries with state-controlled media, publics are aware of censorship and distortions in their domestic media and turn to foreign sources such as VOA to keep abreast of both international and national events.
>
> In the developing world and information-poor societies, such as rural Latin America and much of Sub-Saharan Africa, VOA serves as an important news and information source.

"To get information about America" is frequently cited as a reason for listening. The Voice of America serves as a direct link between the U.S. and its listeners, informing audiences about U.S. foreign policy, the American political and economic system, scientific and cultural achievements, and life styles.

Science and technology are topics of particular interest to VOA listeners worldwide. VOA's live coverage of space shuttle missions always draws a surge of letters from listeners.

For many listeners, VOA offers an opportunity to enhance English language skills. Some listeners tune to VOA English to practice the language. English language courses on the VOA Arabic, Czechoslovak, Chinese, Polish and Portuguese (to Europe) services appear to attract small but highly motivated groups of listeners. VOA Special English has a devoted following, particularly in China.

COMPARING 1984 AND 1985 LISTENERSHIP ESTIMATES

Based on the most recent surveys, the 1985 worldwide audience estimate is about 9 percent larger than the 1984 estimate. Two factors account for most of this increase: population growth and urbanization. In addition to new survey data, up-to-date estimates of urban/rural country breaks have been entered into the database. The new population base probably accounts for the LDC listening rate increase. In general, listening rates are higher in urban areas.

- The estimated number of VOA listeners in the Soviet Union is down slightly, probably reflecting more intensive Soviet jamming of Russian and minority Soviet languages.
- Increased African rates are attributable to urbanization and population growth. Against this backdrop there are regional counter-trends: VOA French-language listenership in West Africa has dropped over the past several years, reflecting the tremendous impact of new competing stations with more powerful signals than VOA's.
- The estimate for China has been raised from 18 million in 1984 to just over 20 million in 1985. This reflects a greater understanding of China's population composition, based on the PRC's recently published national census.
- The 1985 audience estimate for Eastern Europe, which is slightly larger than the 1984 estimate, results primarily from a considerable increase in VOA's Polish listenership found in studies by Radio Free Europe. This, together with a small increase in Romania more than offset slight drops in Czechoslovakia, Hungary and Bulgaria.
- New survey data from Jordan indicate that rural listening in that region is considerably higher than earlier believed.

DATA SOURCES FOR LISTENERSHIP ESTIMATES

The 1985 estimate of VOA audiences is based on both national and urban surveys conducted in 58 countries since 1975. Data on VOA audiences in Eastern Europe and the USSR were collected through personal interviews with visitors to Western Europe. The Chinese audience figures are a calculated guess, based on media surveys, interviews with professionals who have worked in China and recently published census data. Central American estimates are an adjustment of partial urban rates to yield national estimates. The table below gives an overview of the data base:

Region	Populations Surveyed			Year of Fieldwork	
	Total	Nat'l	Urban	80s	79-75
Africa	10	3	7	7	3
Am. Republics	13	5	8	12	1
East Asia	5	2	3	4	1
W. Eur/Canada	9	8	1	7	2
E. Europe/USSR	6	6	-	6	-
Near East	12	3	9	6	6
South Asia	3	2	1	3	-
TOTAL	58	29	29	45	13

In arriving at the current estimates, all surveys conducted before 1975 were dropped.

In most instances, interviews were done by firms in the country surveyed or by affiliates of international research firms. Most of the surveys were commissioned by USIA's Office of Research; others, by the BBC's International Broadcasting and Audience Research unit. Information on Eastern Europe and the USSR was furnished by Radio Free Europe and Radio Liberty.

Population data used in the audience projections come from the Bureau of the Census' International Statistical Program, the Population Reference Bureau, and other sources.

As mentioned earlier, the estimates are for VOA direct broadcasts only. They do not include the audiences to VOA programs re-broadcast on domestic stations. VOA provides service feeds (shortwave transmissions intended for pick-up by overseas domestic stations) and distributes prerecorded program tapes to stations overseas. By excluding the many listeners who hear such VOA programs, the VOA audience estimates are conservative estimates of VOA's actual reach.

VOA service feeds -- news items, correspondent reports and features -- are carried on regularly-scheduled shortwave transmissions. Feeds are available in English as well as in Arabic, Creole, French, Greek, Hausa, Indonesian, Portuguese, Spanish, Swahili, Thai and Turkish.

Radio stations abroad can record the feeds, or USIS posts may record and distribute them to local stations. For example, in the American Republics, some 2,500 medium-wave stations pick up the 9-minute feed (Monday through Friday) featuring VOA correspondent reports; in Africa, 46 stations pick up the daily feed.

VOA-produced "packaged" programs are available in major regional as well as various national languages: Arabic, English, French, Portuguese, Spanish, as well as Greek, Hausa, Hindi, Indonesian, Creole and Swahili. Tapes are air-shipped to USIS posts overseas for distribution to local stations. Stations in Africa and the American Republics are the heaviest consumers of VOA-packaged programs.

LETTER FROM CHARLES Z. WICK

January 25, 1985

Mr. Leonid M. Zamyatin
Chief, International Information Department
Central Committee, Communist Party of The Soviet Union
Staraya Ploshchad' 4
Moscow, USSR

Dear Mr. Zamyatin:

In recent months Soviet media have levied a number of attacks on U.S. public diplomacy and the U.S. Information Agency, especially on the Voice of America and our new WORLDNET satellite television service. Your article in Literaturnaya Gazeta ["Impasses of Confrontations and Horizons of Cooperation," November 28, 1984] summarizes most of the charges and typifies the underlying mindset. I am prompted to respond at this time to the continuing stream of attacks because in a period when our two governments are engaged in serious exploration of vital issues, such attacks are a disservice to more positive relations.

My hope is to generate a constructive dialogue. To initiate that dialogue I extend two concrete offers. First, I ask that you offer your good offices to facilitate using broadcast media to further mutual understanding. In this regard, I suggest that you arrange for Soviet television to carry an address by one of our top leaders which would be reciprocated on American television by one of your top leaders. There is a precedent for this: Mr. Brezhnev and Mr. Nixon made such speeches several years ago with considerable positive effect.

Second, I propose that we carry further the dialogue by having you and other Soviet officials and journalists take part in the WORLDNET program of which you are so critical. Let us jointly plan a one- to two-hour satellite television dialogue on WORLDNET in which Soviet journalists interview senior U.S. officials on issues of mutual concern. At the same time, you should plan with U.S. media a similar program in which American journalists freely and spontaneously question senior Soviet officials. Coming at this important time in our relations, such ventures could help make communication more reasoned and reciprocal.

Incidentally, I am not surprised by your unwarranted criticisms of WORLDNET and of our Agency. I have come to expect it. However, you should understand that our country does not claim, as you do, that opposing ideas "subvert" our system. We recognize instead that diversity of public opinion is one of the great strengths of America. Thus, our society freely permits Soviet spokesmen to state their views on American television and in print. In this regard, I might note that Soviet journalists and Soviet officials are interviewed on American television literally dozens of times per year. Surely the time has come for greater equality of treatment.

If the United States can confidently tolerate opposing views without fears of "loosening" the system, why then should the Soviet government act so restrictively, even to the point of jamming our broadcasts in direct violation of several international agreements to which the USSR is a signatory? Why not allow greater independent public inquiry about your government's decisions and policies? Why should American officials, in turn, not be permitted to state their views on Soviet television and in the Soviet media? Our society has never walked away from a fair challenge, and we look forward to engaging in a peaceful contest of ideas with the USSR.

Your article is evidence of the need for this reasoned and open dialogue. Charges of "piracy of the air," "radio warfare," "subversive purpose," and "television propaganda aggression" only exacerbate the "impasses" and "confrontations" to which you allude and delay our search for "horizons of cooperation." Coming at this time, when the leaders of our two countries are seeking new means for considering meaningful arms reduction efforts and ways to stabilize relations, your attacks are most unfortunate. Surely, everyone concerned about U.S.-Soviet relations has a right to expect greater restraint and accuracy.

Although I will not attempt in this letter to deal with the many errors and distortions in your article, I would like to clarify the role and purpose of the U.S. Information Agency, particularly the Voice of America and WORLDNET.

- USIA is not in the business of misrepresenting Soviet foreign policy, as you allege. Its primary purpose is to present America to the rest of the world and to explain U.S. foreign and domestic policies to people around the world. In so doing, we present the news, good and bad.
- The Voice of America is a distinguished source of news and information about the United States -- our policies, society, culture, and values. By U.S. law, VOA is required to present "accurate, objective, and comprehensive" information, to be truthful, and to be "seen as a consistently reliable and authoritative source of news." Over 100 million people throughout the world listen to VOA each week, all voluntarily, many of them at risk to their safety.
- In modernizing and improving our communication facilities and seeking a wider audience, our purpose is to allow a greater proportion of the world's population to know what is going on in the world and be better able to reach independent judgments on these events.
- WORLDNET is a modern television system linking Washington via satellite with U.S. embassies, information centers, and a number of TV studios throughout the world. WORLDNET is not forced on receiving nations. Journalists in the participating nations freely choose the programming that they wish to broadcast or write about or not use at all.
- WORLDNET enables foreign journalists to ask probing, unrehearsed questions instantaneously, via satellite, directly to high-level American officials. Your representatives from TASS, Pravda and other Soviet publications are welcome at official U.S. press conferences. They are welcome, too, as observers in our WORLDNET studio.

Permitting a free flow of information is in the best interests of both our societies and a necessary response to the times. The irreversible revolution in communications, enabling prompt and comprehensive dissemination of news, will make it increasingly harder to limit peoples' access to information.

All nations should ultimately welcome this: misunderstanding and ignorance only serve to exacerbate tensions in the conduct of international relations. Our nations need to know more about each other; we Americans are firmly committed to providing the peoples of the Soviet Union -- and the world community -- with an accurate picture of the United States. Similarly, we hope to broaden our nation's understanding of the USSR.

I hope that you will enable Soviet journalists and television commentators to participate actively, and very soon, in WORLDNET interviews of U.S. leaders to be broadcast in the USSR. In turn, American journalists should have an equal opportunity to interview your leaders for broadcast in the USA. This direct dialogue would broaden the "horizons of cooperation" that you did not discuss in your article, but that you, too, must want to see attained.

I look forward to your response to my offers that we exchange televised interviews by top U.S. and Soviet leaders and that Soviet journalists and officials participate in a WORLDNET dialogue with senior U.S. officials on issues of mutual concern.

Sincerely,

Charles Z. Wick

Charles Z. Wick Director

STATUS OF VOA MODERNIZATION EFFORTS

Senator LAXALT. One budgetary question here. You have requested a huge increase for Voice of America's radio modernization program. Yet, last year you spent only $7.8 million or 8 percent of the appropriation for that project.

Your own Advisory Commission found that "delays in awarding contracts, poor internal agency coordination, turf battles, and the sense of business-as-usual have played too large a part in the modernization process to date."

What is the Director's response to that?

Mr. WICK. It is very easy. I don't agree with that. I would invite your committee or anybody else to bring some businessmen in and see the record.

That modernization program has been my ultimate responsibility. I am convinced that our negotiations, which must be done within the constraints of governmental regulations and requirements, have been done very well. I think we have gotten very good deals.

Now, in Sri Lanka, when I came aboard, they had already been negotiating for 2 years. We weren't getting anywhere. Then it took another 2 years before we were able to consummate a very fair contract to Sri Lanka in both their interests and ours.

These negotiations take a lot of time. It is a lot different from 1953 when many countries were very happy to have us come in for a lot of reasons that are no longer present in certain countries.

So I would say that we have probably made faster progress than anything on record at VOA. We have had five groundbreakings here in just the last year in key places around the world. So I am very satisfied that any analysis of the facts would indicate that we have made very effective progress.

Now, the $7.8 million which was spent in 1984 was a function of the kinds of delays you have in negotiations. There is no way that you can involve other governments in the kinds of site selections, engineering assessments, that must be made. However, this year we have already obligated or committed $60 million and by the end of this year we will have spent $150 million. Therefore, at the end of this year, we will have only $16 million left.

So the answer is we are in an entrepreneurial environment and we take the same risks on timetables that other people have to take if they want to get something done.

NATIONAL ENDOWMENT FOR DEMOCRACY POLITICAL PARTY FUNDING

Senator LAXALT. Let me ask you one closing question, if I may. It relates to that noncontroversial agency called NED.

Mr. WICK. That is "den" spelled backward. [Laughter.]

Senator LAXALT. Last year, at the behest of this committee, Congress prohibited any NED money from going to any political party. Does your agency have any position on this matter?

Mr. WICK. I am not sure we do. Carl Gershman of NED is here. I frankly think that political parties make a lot of sense.

Senator LAXALT. For inclusion or exclusion?

Mr. WICK. For inclusion. The Federal Republic of Germany has been very successful in its four party affiliated foundations that not only do what NED does but actively contribute to political parties in other countries.

I think a study of their records, with which I am only familiar as to summary, indicates that it has been successful.

SUBMITTED QUESTIONS

Senator LAXALT. We have several other questions here, but they will be submitted to you, Mr. Director, in writing. There will be questions also, I am sure, addressed to you from my other colleagues.

So we thank you for coming in and thank you for an excellent presentation. We enjoy doing business with you.

Mr. WICK. It is nice doing business with you, Senator.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR PAUL LAXALT

RADIO MARTI PROGRAM

QUESTION:

Please give us an update on Radio Marti. When do you expect to go on the air? Why has it taken so long?

ANSWER:

As Director Wick indicated in testimony before the Foreign Relations Committee on April 1, 1985, the target date for beginning broadcasts of the Radio Marti program is late May, 1985. Lack of staff has been the primary cause of delay in beginning broadcasts. As Director Wick explained, the establishment of the Radio Marti Program has involved nothing less than building a journalistic enterprise from scratch. This has required the recruiting and clearing of a large number of people, the construction of broadcasting facilities, the creating of a professional research organization, and the development of an associated support infracture for the operation. Radio Marti staff members are now engaged in 14 and one half hours per day of simulated broadcasting as preparations continue for inaugurating the service. Guidelines have been promulgated for the Radio Marti Program to ensure that its programs meet the VOA standards of accuracy, objectivity and balance.

QUESTION:

One of the recommendations of the U.S. Advisory Commission on Public Diplomacy is to move Radio Marti from USIA to the Board for International Broadcasting. I realize that the present arrangement was developed by Congress and not due to one of your requests, but, in general, do you agree with the Commission?

ANSWER:

The Agency does not believe this recommendation is practical at this time. In the Radio Marti Program's start-up phase, VOA can provide invaluable assistance on a variety of professional matters and will continue to do so. Given the U.S. Government's interests in having the Radio Marti Program operational at the earliest possible date, we believe that at this stage we should maintain the present relationship and avoid disruptions.

SEMANTIC CORRUPTIONS

QUESTION:

Another of the Commission's recommendations relates to the problem of semantic corruptions. Please describe the problem as you see it and discuss what you are doing to correct it.

ANSWER:

Semantic corruption is the purposive misuse of words, either by imputing meanings which normal usage does not assign to them or by falsely equating terms which have radically different ideological derivations. The Soviet Union in its propaganda makes effective use of this technique to confuse international discourse and to undercut support for institutions and values that are central bulwarks of democratic societies.

Words such as "peace," "defense," "national liberation," "imperialism," "democracy," "freedom," and---more recently---"terrorism" and "state terrorism" have been used by the Soviets to suggest ideas that are quite different from our common understanding of those words.

Lenin---who once said "The most important weapon in my arsenal is the dictionary"---understood well the use of this technique. Some corruptions date from his time; others are newer: for instance, Moscow's efforts to have U.S. actions in Lebanon, Nicaragua, and Grenada viewed by "the world public" as "state terrorism."

USIA is committed to addressing this problem. Our objective is to help groups, institutions, and individuals overseas to recognize Soviet semantic corruption so that they may better evaluate Soviet activities and policies and be alert to this form of Soviet manipulation. We consider it important to maintain an enlightened public dialogue on important international issues and believe such dialogue is not served by semantic corruption.

In July 1984, USIA cabled all its posts on this issue, alerting posts to the problem and advising them of a program to deal with it. Since then we have prepared and distributed a lexicon on Marxist-Leninist terminology, some of which was re-published in overseas newspapers. We send regular cables to the field such as "Soviet Propaganda Themes" and "Disinformation Alert" which address this issue; and the quarterly paper "Soviet Propaganda Alert" goes to a wide audience at overseas posts. In addition, we have commissioned a series of one-page reports for our posts on the misuse of specific terms, and we are preparing several articles on the subject for upcoming editions of Agency publications. A video tape on "the use of words and concepts in the battle of ideas" is in the planning stages, as are programs for VOA and offerings of books which bear on the problem.

STATUS OF KEY USIA VACANCIES

QUESTION:

The Advisory Commission on Public Diplomacy also expressed its concern, in its 1985 report, about the number of longstanding vacancies in key positions at USIA. What are you doing to resolve this problem?

ANSWER:

Nominations for Associate Director of Programs and Director of the VOA have been forwarded by the White House to the Senate. Confirmation hearings are expected to be scheduled soon by the Senate Foreign Relations Committee. Announcement is expected soon on the nomination of a new Deputy Director of the Agency. USIA favors early action on these positions.

RESEARCH ACTIVITIES

QUESTION:

The Commission recommends that USIA beef up its research activities and that your program planners should develop a comprehensive method for evaluation of their programs. Without such a capacity, how can you assure that the taxpayers are getting the maximum impact for their dollars spent at USIA?

ANSWER:

USIA concurs with the Commission recommendation that it increase research to better assess the impact and effectiveness of Agency products and programs. In response to this need, the Agency has enhanced its research programs and is seeking ways to better integrate research findings with program assessments.

Specifically, USIA has made increasing use of the Office of Research for internal evaluation. This is indicated by a fourfold increase in the percentage of Office of Research funding devoted to program/product effectiveness research in FY 1984 compared to FY 1983. In terms of expenditures, the breakdown of research funding on attitudinal/policy research and program/product effectiveness studies is as follows:

	FY 1982	FY 1983	FY 1984
Attitudinal/Policy	90.5%	92.6%	72.5%
Program/Product Effectiveness	9.3%	7.0%	28.5%

It also should be noted that studies by the Office of Research are only one of the several means available to the Agency to perform assessments of Agency programs and products.

For example, inspections of Washington elements and field posts performed by the Office of Inspections also provide the Agency with valuable information on products and programs. In addition, internal and self evaluation functions, as well as special outside consultancy arrangements (e.g., the study of the Wireless File in Europe prepared by a former UPI correspondent) contribute to the Agency's ability to assess its overall effectiveness.

STATUS OF VOA MODERNIZATION PROGRAM

QUESTION:

You have requested a huge increase for the Voice of America's radio modernization program. Yet, last year you spent only $7.8 million or 8% of the appropriation for that project. Your own advisory commission found that "delays in awarding contracts, poor internal agency communication, turf battles, and a sense of business as usual have played too large a part in the modernization process to date."

-- While the Advisory Commission noted that some progress had been made recently, it said more improvement was needed.

-- What are you doing to get this key effort moving?

ANSWER:

The modernization effort is now moving ahead at a rapid pace. Thus far in FY'85 we have obligated $60 million of the funds available this year. This has been done in the first six months of this year and compares dramatically to the $7.8 million obligated in all of FY'84.

During the rest of this fiscal year we expect to be able to obligate all but $16 million of the combined total 1985 appropriation as well as construction funds carried over from previous years (carryover, $88 million; new, $85 million).

Agreements have been signed with five countries (Morocco, Sri Lanka, Thailand, Costa Rica, and Belize) for the construction of new relay stations. In February and March of 1985 Director Wick broke ground in Morocco, Sri Lanka, and Thailand to begin the first phase of construction at each site. VOA began broadcasting from a new medium wave facility in Costa Rica in January, 1985, only five months after the agreement was concluded. Ground is now being cleared in Belize for the construction of a medium wave facility. Negotiations for new sites and the upgrading of existing facilities are being vigorously pursued with several other governments.

At the same time, the Agency has moved to ensure that a sense of urgency and high-level cooperation prevails on an intra-Agency basis with regard to the VOA modernization program.

A group comprised of the top officials of VOA, Management, Budget, Contracts, the General Counsel and the Director's office meets on an ad hoc basis to share views on the progress of the modernization program and to iron out problems. At the working level, an inter-element committee meets every two weeks to track the progress of major modernization contracts and to ensure their smooth progress through the bureaucracy. The newly created position of VOA Deputy Director for Modernization has made it possible for VOA's modernization needs to be heard and acted upon by all other elements of the Agency.

NED FUNDING FOR POLITICAL PARTIES

QUESTION:

Last Year, at the behest of this Committee, Congress prohibited any NED money from going to any political parties.

-- Are you advocating that this prohibition be dropped this year? Why?

-- If the prohibition is dropped, will the party foundations receive any set level of funding?

ANSWER:

The Endowment opposes any prohibition on funding programs of the National Democratic and National Republican Institutes for International Affairs. We believe that the work of the party Institutes is vital to our overall effort. Political parties are pivotal institutions in any democracy, and as such they deserve institutional support to encourage broad and responsible participation in the political process. The party Institutes have an especially important role to play in the growing number of countries that are moving toward or returning to democracy, countries where once dormant or newly organized parties require assistance that is best provided by counterpart institutions. Our goal is not to interfere in the democratic process, but to strengthen it.

As we have already stated, the Endowment is not requesting a specified amount of funding for the Democratic and Republican Institutes. It is asking only that they be eligible to apply for an NED grant -- as eligible as any other American organization.

PROPOSED TV STATION IN BERLIN

QUESTION:

Please describe your RIAS-TV initiative to establish a TV station in Berlin.

ANSWER:

Eberhard Diepgen, Governing Mayor of West Berlin, first proposed the RIAS-TV initiative in a conversation with the Director in the spring of 1984. RIAS-TV, following the long-standing pattern of RIAS radio, would be a joint U.S.-F.R.G. effort, and would broadcast initially to several million viewers in East Berlin and the GDR, as well as the entire population of nearly two million in West Berlin. Programming would include objective news and analysis, as well as programs which accurately report on life, culture, and institutions of the United States, as well as the Federal Republic and other countries of the Western alliance. Following the analogy of RIAS radio, the U.S. would build and equip the station (at a cost of $8 million) and retain sovereignty over it; the German side would fund operations on a continuing basis (estimated at DM 50 million per year).

QUESTION:

-- Why isn't the Federal Republic of Germany undertaking this project?

ANSWER:

The initiative for this project has come from the German side, and the project would be a joint U.S.-German undertaking. We have just learned from Mayor Diepgen that the German side detects potential budget difficulties with funding the continuing operations of RIAS-TV. However, they remain committed to the concept and will do everything possible to see that it is realized. The FRG FY 86 budget process is in its very early stages, and USIA will continue to seek an appropriation for the U.S. contribution to the station, with the understanding that the German side will similarly seek funds to pay for the station's operations.

QUESTION:

-- What are the out-year costs of this program?

ANSWER:

Following the analogy of RIAS radio, the U.S. would be responsible for transmitter operation (power) and maintenance costs. We can only speculate as to what the annual cost for the technical operations will be but, for comparative purposes, we now pay $1.2 million for that aspect of the radio operations. It is envisioned that the U.S. Director and Deputy Director of RIAS Radio would assume those same duties in the management of RIAS-TV. USIA would also be involved in providing program materials and policy guidance on a regular basis.

EXPANSION OF OVERSEAS BOOK ACTIVITIES

QUESTION:

You are requesting a $3 million enhancement to your budget to expand overseas book activities. Describe please how book programs fit into your Agency's mission.

ANSWER:

The legislative mandate of the U. S. Information Agency is to promote mutual understanding between the people of the United States and the people of other countries. Books are a principal vehicle for American ideas and values, and a vigorous book program is a key element in the accomplishment of the USIA mission. People in other countries who do not have access to a fair range of the outstanding books produced in this country do not have a clear and objective understanding of our country or of our policies. In the words of the Agency's current rationale for its book programs, "Serious American books in English or in translation on themes of concern to USIA are essential to the Agency's mission in public diplomacy."

QUESTION:

What type of books do you attempt to distribute?

ANSWER:

We distribute outstanding titles which represent a broad spectrum of American thought -- those which help explain our foreign policy, our institutions, and our fundamental values. Excellence is our primary criterion. We seek to provide perspective on issues important to this country and to our audiences; an effort is made to include books which reflect the debate about U.S. foreign policy in this country, for example, as well as those which defend such policies. A copy of the Agency's most recent report listing titles supported by us in fiscal year 1984 is attached.

QUESTION:

Given the importance of this effort, why did you elect to defer $5.2 million of your FY 1985 book distribution program? (March 14, 1985 reprogramming)

ANSWER:

There were several changes in the Agency's 1985 resource situation in the Salaries and Expenses account between the time that the 1985 budget request was sent to the Congress in February 1984, and now. For example, the 1985 appropriation was $27.1 million below our request. We absorbed $5.5 million in pay costs. In addition, we had to accommodate priorities that arose during the year. For these reasons, we were forced to curtail -- or eliminate -- several important programs, including this initiative.

BRISBANE EXPO '88

QUESTION:

What are your full out-year costs for the 1988 Australian Bicentennial Exposition in Brisbane? Will any other U.S. Government agency participate? If so, how much funding will each provide? What is the expected level of private participation in the U. S. exhibit? What is the theme of the U.S. exhibit? Please describe the exhibit.

ANSWER:

In 1987 an additional $6,500,000 is required for the Brisbane exposition which will be obligated over a two-year period as follows: $2,475,000 in 1987 and $4,025,000 in 1988.

USIA is totally responsible for coordinating such expositions overseas. Participation in such events is an integral part of the USIA mission as authorized by Executive Order 11034 and the Fulbright Hays Act of 1961. The invitation to participate in the Brisbane expo was extended to the United States in the form of a diplomatic note through the State Department.

In addition to our participation in this expo, the State Department has included in their 1986-87 budget submission, a porposal to establish an American Australian Bicentennial Foundation (AABF). The Foundation will focus on the two hundredth anniversary of permanent European settlement in Australia.

It is too soon to determine what level of private participation will be forthcoming since the invitation to participate was only extended in September 1984 and funding must be approved before extensive planning, including private participation, can begin.

The Government of Australia has informed us that the theme of the exhibit will be "Leisure in the Age of Technology". While a specific United States theme has not been chosen, the United States will use the Australian theme to illustrate the implications of advancing technology for the work place upon job displacement, and upon the quality of life in advanced industrial or post-industrial societies. We hope to show what modernization has done to the workplace, how it has improved the quality of life and the quality and quantity of leisure. This theme has particular emphasis in Australia since leisure is an inalienable right in that country. The United States, through the Expo, can demonstrate that the United States has accumulated a vast body of experience in dealing with these areas and problems.

The Exposition will provide a forum for exchange, at both personal and government levels, of information, experiences, attitudes and ideas on how other cultures incorporate leisure in their daily lives, how technology is creating leisure time, and how technology is being incorporated into leisure activities. This will be beneficial in itself, but it should also stimulate renewed interest in meeting the challenge of appropriately using the increased leisure which advancing technology is providing and stimulate further development of technology to create, and be part of, our leisure activities.

QUESTION:

How is the decision to participate in international expositions made? Did the Australian government participate in all the American expositions?

ANSWER:

The Bureau of International Expositions (BIE) in Paris was established by multilateral convention in 1928 to provide basic rules and sanctioning for international expositions. Participation in such events is an integral part of the USIA mission as authorized by Executive Order 11034 and the Fulbright-Hays Act of 1961.

Before the USIA commits any resources to these projects, there are several approval levels which must be completed. First, a prospective host country must do a feasibility study of a proposed exposition and must confirm its country's support for such a project. The host country must then make a presentation to the BIE General Assembly. The General Assembly will decide whether the host country's presentation deserves further investigation and will send a survey team, composed of delegates from member nations, to determine suitability of a prospective host country's organization plans, financial viability, potential Expo site and adequacy of management. A positive report from the survey team may result in BIE accreditation and date reservation. With the BIE sanctioning of the Exposition, the host country sends a diplomatic note to the United States inviting official participation in the Expo.

Before the United States accepts, in principle, the invitation to participate, the Department of State's approval is required as well as approval from the USIA. Support may be solicited from other agencies, such as the National Security Council and the Department of Commerce. The Administration must then establish a funding plan for the U. S. exhibit. Substantive work on the exhibit does not begin until the funding plan has been approved by the appropriate Congressional authorization and appropriation committees.

Australia participated in both the Knoxville and New Orleans Expositions. Initially, Australia was not going to participate in the United States expositions because of budgetary limitations. It was only because of a personal appeal from the President to Prime Minister Hawke that the Australians did participate. As a matter of fact, the Australian pavilion, both at Knoxville and New Orleans, was equal in size to that of the United States.

VOICE OF AMERICA OVERSEAS BUREAUS

QUESTION:

What will be the responsibilities of the VOA correspondent bureau in Singapore? What countries will it cover? Why does the VOA, which is designed to bring the story of America to the world, continue to add overseas correspondent bureaus? Doesn't increased international coverage detract from VOA's basic mission? How many more overseas bureaus do you intend to add in the future?

ANSWER:

The primary responsibility of the VOA correspondent bureau in Singapore will be to cover economic developments in Southeast Asia. Singapore is the financial center for the area. The importance of financial and economic developments will require additional material on these topics for expanded broadcasts to Asia which are programmed for 1986. Further, its proximity to Indonesia and the Philippines will provide an additional source of staffing for concurrent major news developments in those countries.

The Voice of America's charter requires VOA to serve as a reliable and authoritative source of accurate, objective and comprehensive news. Broadcasting to areas which do not have sophisticated or even totally objective or reliable means of providing news dissemination requires that VOA reflect important developments of interest to those areas. VOA bureaus provide the type of depth in reporting developments and issues which is not available from commercial news agencies because of the different requirements those agencies have from a diversified clientele.

International coverage is vital to the basic VOA mission of providing a constantly reliable source of news. Many target areas have no other source of reliable news except international broadcasting. The attraction of a broad-based news program is one which brings listeners to the VOA frequencies for much of the rest of the program schedule.

There are no present plans for additional overseas bureaus.

STAFFING VOA VACANCIES

QUESTION:

Every year, you request more positions for VOA. Yet, at the same time, you reprogram money away from VOA due to delays in getting people on board. In your justification for FY 1986, you state that positions authorized in 1984 and 1985 will not be filled until late 1985. What are the reasons for these delays? Do the delays indicate that your initial projections for your VOA enhancements were overly optimistic?

ANSWER:

VOA's unprecedented growth in authorized positions during 1984 and 1985 has been met by a carefully planned recruiting strategy which has resulted in a steady decline in the vacancy rate. The 209 new positions authorized during the past two years will be filled by the latter part of FY 1985 which in our view is a fully acceptable achievement in light of the unique obstacles encountered in the staffing process for VOA. Most of the new positions which are required by VOA to implement the modernization program and programming expansions are highly specialized -- either due to the combination of expertise in language and broadcast journalism, or the technical engineering specialties required. Aggressive recruitment programs have enabled VOA to build up pools of candidates in the various languages and specialties. These recruitment strategies have involved a worldwide effort to identify well-qualified candidates. This often involves working with foreign governments and United States posts overseas, as well as aggressive efforts to attract engineers in a highly competitive market.

Candidates from overseas, and sometimes even domestic candidates, frequently require as much as 3 to 4 months to relocate their households. VOA has favored excellence over prompt entry on board in order to maintain an acceptable standard of quality for personnel hired. Even so, VOA has streamlined the pre-appointment procedures and reduced time required to bring people on board by an average of two to three months. Nevertheless, in many cases time-consuming security clearance processes, which are beyond our control, must still take place. VOA's pipeline of highly skilled candidates continues to grow and VOA is confident that all of the positions requested will be filled without undue delay.

Projected schedules for VOA programming enhancements were based on a variety of factors such as the availability of technical facilities, length of time required to staff positions, and lead time necessary to orient staff and develop program formats. With all of these variables at play, VOA has had to be flexible in its planning in order to deal with factors outside VOA control, such as the outcome of negotiations with foreign governments and competition with other governments for frequencies.

In terms of projections of funds required to support the positions requested, VOA has fine-tuned its projection methods, using actual data and trends in attrition, grade levels, and time required to staff various categories of jobs. Careful reviews have been conducted, and a formula developed, to determine the staffing level required to produce a given level of programming output. The number of positions required is not related to the amount of time necessary to identify and hire new staff.

CENTRAL AMERICAN UNDERGRADUATE SCHOLARSHIP PROGRAM

QUESTION:

You are requesting $8,484,000 to provide for additional undergraduate student grants as part of your Central American Initiative. Please describe this program. How many students will be brought to the U.S.? How will they be selected? What costs will be covered for each student? How will you select the U.S. colleges that will participate? Will any U.S. students study in Central American schools?

ANSWER:

The new undergraduate program provides an educational opportunity for young Central Americans of limited financial means to study at United States institutions of higher education. This program is designed to address the shortages of skilled professionals in the region as outlined in the Report of the National Bipartisan Commission on Central America. The students in this program will receive instruction at the University level and have the opportunity to participate in enhanced cultural programs to deepen their understanding of the U.S. and its people. All student participants in this program will be assisted on their return to Central America in finding employment or continuing their education. An undergraduate program is particularly appropriate as many of the skills in high demand in Central America require practical ability in areas not presently addressed by the educational structure in the region.

During FY 1985 we proposed to begin the undergraduate student program by providing 143 scholarships. During FY 1986 this number will increase by 305 and over the next five years it is envisioned that 1,935 scholarships will be provided.

Students will be nominated through a joint Embassy/private sector mechanism. The nominations will be submitted to the presidentially-appointed Board of Foreign Scholarships for approval. Applications will be obtained through a competitive recruitment process in each country. To be eligible for consideration, an applicant must: 1) be from a family of non-elite economic background; 2) lack financial resources to finance his or her own study in the U.S.; 3) have a record of academic achievement or teaching excellence; 4) demonstrate leadership potential; and 5) be either an upperclassman already attending a Central American university or a public school teacher.

The undergraduate scholarships will provide for tuition, insurance, round-trip travel, maintenance (room and board, books, etc.), English language training, cultural enrichment, and administrative and supervisory support.

The U.S. institutions of higher education that will receive grants to participate in this program will be chosen through a competitive selection process. We expect to publish a notice in the Federal Register and issue a Request for Proposals (RFP). Any accredited U.S. institution of higher education may submit a proposal to us.

There will not be any U.S. undergraduate students studying in Central America under Agency programs, although we will provide grants for a number of U.S. graduate students, researchers, and lecturers who will study in Central American Universities.

EISENHOWER FELLOWSHIP FOUNDATION

QUESTION:

What legislative authority does the Eisenhower Fellowship Foundation need to create the interest bearing trust Congress would like to establish? Please provide suggested legislative language?

ANSWER:

The Comptroller General has long and consistently ruled that, absent authorizing legislation, grantees of appropriated funds generally must return interest earned on those funds to the government for deposit in the U.S. Treasury as miscellaneous receipts. The Agency's FY 1985 appropriations bill provided $1.5 million for the Eisenhower Exchange Fellowship Program. This amount exceeds the funds required by the Eisenhower Program for the conduct of its annual exchanges. If it is the intention of the Committee that the remainder of the funds be used as seed money, to be invested by the Program and to provide an endowment for it, thus ultimately obviating the need for appropriations in future years, authorizing legislation is required.

Something along the lines of the following legislative language is required:

Section 105 of the Mutual Educational and Cultural Exchange Act of 1961 (22 U.S.C. 2455) is amended by adding a new subsection (h) reading as follows:
"(h) Notwithstanding the provisions of 31 U.S.C. 3302(b) or any other law or limitation of authority, the Eisenhower Exchange Fellowship Program may retain and use for program purposes interest earned on funds granted to it under this Act."

PRIORITY OF BRISBANE EXPO

QUESTION:

At the Committee's request, you provided a priority listing of your enhancements. The last item on that list was the Brisbane Exposition. Does this indicate that you believe expenditures for the Brisbane Expo are of limited value?

ANSWER:

We do not believe it would be of limited value at all, but in listing our priorities, we felt that other projects were more pressing. The return on the dollar will be solid. There are strong arguments for our participation. Australia has been a staunch ally of the U. S. through several wars and crises and continues to be a strong supporter of our policies in East Asia. During the current period of problems within ANZUS, Australia steadfastly maintains its security commitments and obligations to the U.S. and remains a strong friend in the Southwest Pacific. We are at a central turning point in U. S. relations with nations of the Southwest Pacific. If Australian opinion does not fully support ANZUS commitments, there will be little reinforcement of support in New Zealand, and potentially negative ramifications elsewhere in the Pacific Basin.

A perceived failure to support the Australian Bicentennial, after repeated Presidential pledges, could have negative effects on American-Australian relations. Australians believe with justification that our participation in their Bicentennial will be in return for their generous participation in our 1976 Bicentennial, and in the World expositions at Knoxville and New Orleans (in the latter case, Prime Minster Hawke put his reputation on the line by reversing a decision of his own cabinet not to participate, after he received a personal appeal to do so from President Reagan).

President Reagan and Secretary Shultz are both on record as supporting the Australian bicentennial. As recently as February 7, 1985, President Reagan publicly assured visiting Australian Prime Minister Bob Hawke "... as Australia approaches its Bicentennial in 1988, the United States Government and the private sector will play an active part in that historic event." For the United States Government now to fail to deliver on these high-level, very public commitments will be viewed very negatively by the Australians and may erode popular support for the Hawke government's very helpful position on ANZUS.

NATIONAL ENDOWMENT FOR DEMOCRACY FUNDING

QUESTION:

If Congress again prohibits NED from granting any money to any political party, how much should the Committee reduce the funding for that agency?

ANSWER:

In the Administration's budget submission for $31.3 million for the National Endowment for Democracy, the activities proposed for the two political party Institutes were included as part of a larger budget category entitled "Democratic Governance and Political Processes." Other activities contemplated in this category include nonpartisan public policy centers of the kind already being funded in Guatemala, as well as support to strengthen administration of justice and the participation in and administration of electoral processes. The funds allocated for the entire budget category are $5,950,000.

The Administration has not asked that any funds be earmarked for the party Institutes, but the Board of the Endowment strongly endorses their work and urges that they be eligible for NED grant assistance. Endowment staff will of course evaluate the programs submitted to the Board. While it is the Board which makes all final funding decisions we note that each of the Institutes is already engaged in program activity (with FY 1984 funds) that would justify an annual budget of $1.5 million.

The essential role of political parties in any stable democracy is universally accepted, and the goal of strengthening their participation in the political process remains a high priority of the Endowment.

NEW YORK CITY HOUSING ALLOWANCE

QUESTION:

What is the New York City housing allowance? Who is entitled to receive it?

ANSWER:

The 1984-85 USIA Authorization Act amended section 9 of the United Nations Participation Act of 1945 (22 USC 287 e-1) and authorized the Director of USIA to provide a supplemental housing allowance to a maximum of five USIA employees assigned to the Foreign Press Center and the Reception Center in New York City of the same kind and amount as that granted to some USG employees assigned to the U.S. Mission to United Nations. The amount of the annual housing supplement is equal to the total rent and utilities paid by an employee minus a contribution of five-percent of employee's salary. The supplement is subject to a ceiling based on the employee's grade and number of dependents. Up to five employees who meet the following criteria are eligible to receive the supplemental housing allowance: 1) must be assigned to either Center for a minimum tour of duty of six months (permanent residents of New York are excluded); 2) must be required, as a part of official duties, to attend or host representational activities related to USIA affairs, and 3) by reason of these representational activities, the employee must be required to live in the extraordinarily high rent area immediately surrounding the headquarters of the United Nations in New York.

ADDITIONAL PAY FOR SERVICE IN HAWAII

QUESTION:

What is "Additional Pay for Service in Hawaii"? Who is entitled to receive it?

ANSWER:

Additional pay for service in Hawaii is a nonforeign area cost-of-living allowance paid to U.S. Government civilian employees paid under statutory schedules, including all GS and FS employees, to compensate for the difference in living costs between Washington, D.C. and the nonforeign area when living costs there are substantially higher than comparable costs in Washington, D.C. This allowance is paid under 5 U.S.C. 5941, Executive Order 10,000, as amended, and part 591 of the Office of Personnel Management regulations.

PACIFIC ISLAND REGIONAL PROGRAM OFFICE

QUESTION:

What are the duties of the Pacific Island Regional Program Office?

ANSWER:

The office will be staffed by two full-time foreign service officers, with part-time secretarial support, and will function in most ways like a normal overseas USIS post. The office program will require extensive personal contact with local institutions and individuals throughout the island nations; at least half of each officer's time will be spent on travel status. From contacts developed in the course of this travel, the office will establish a distribution record system for each nation, distributing materials from the wireless file and other Agency sources, and carry out exchange (IV, Fulbright, Humphrey) and presentation programs.

The two program officers will maintain constant communication with the embassies accredited to the states, and will be considered public affairs and cultural advisors to our USG representatives on site. We expect that the office will be an integral part of our diplomatic effort in the Pacific islands.

VOA CARIBBEAN/CENTRAL AMERICAN RELAY STATIONS

QUESTION:

You are requesting 44 positions at VOA to manage 6 new relay stations in the Caribbean/Central America area. Please list the location of each of these stations and when they will go into operation.

ANSWER:

The specific locations of these sites are yet to be determined. We are negotiating for these sites with a number of countries. We will be glad to provide further details separately, in a classified format. In general, plans are to staff each relay station with seven persons. Depending on security considerations, some stations may have more.

OFFICE OF INTERNATIONAL MARKETING

QUESTION:

In your television and film service, please describe the duties of your Office of International Marketing. Do you have any overseas bureaus within that office?

ANSWER:

The Office of International Marketing is responsible for expanding the placement of Agency television and film products through direct contacts with U.S.-based or visiting foreign television and film representatives by developing new marketing approaches, supplying promotional materials on new products, and through co-production and other assistance to foreign producers and/or crews in the U.S. The office also acquires film and videotape programs for use overseas to help advance U.S. foreign policy and individual country informational and cultural objective. This office also develops marketing tools which will improve the use of our products and services by foreign broadcasters, private producers and distributors and others connected with our media, to provide direct contact with professional broadcasters, other media representatives, universities, government contacts, etc., for the purpose of presenting U. S. Government policies and the U.S. society to foreign media, cultures and opinion-molding individuals.

There are no overseas bureaus within the Office of International Marketing. The overseas function is currently being handled by the Agency's Public Affairs and Information Officers stationed at our posts overseas. Thus far, and for the immediate future this approach is acceptable; however, as the WORLDNET network becomes more complex, and the function of these positions become more complex, we may well find that overseas marketing positions are necessary for proper program support. New functions, such as our video library, may contribute to pressure for dedicated overseas TV representatives.

REGIONAL POST MANAGEMENT ASSISTANCE OFFICER DUTIES

QUESTION:

What are the duties of a Regional Post Management Assistance Officer?

ANSWER:

A Regional Post Management Assistance Officer (RPMAO) is responsible for advising and assisting a designated number of small USIS overseas posts and Public Affairs Officers in the administration and management of funds, personnel, facilities, program equipment and materials in the implementation of USIS Programs. Each post on the RPMAO's circuit is visited on a regularly scheduled quarterly basis during which the officer performs administrative and management duties required to enable the post to operate efficiently and economically.

The RPMAO maintains a continuous substantive involvement in the budgetary process working closely with the PAO in the preparation of budget submissions and financial plans, monitors the post's financial status and advises the PAO of changes in resource allocations needed to keep budget planning and financial execution in balance.

In addition, the RPMAO has management and administrative oversight responsibility and takes action as required to perform and improve contract administration, office management, enforcement of regulations, supply and equipment control, file and records maintenance, and to develop operating procedures including instruction and training of local national employees in performance of administrative duties. The RPMAO also acts for USIS in dealing with Embassy administrative personnel in order to insure that adequate levels of administrative support are obtained.

VOA CONSTRUCTION FISCAL PROJECTIONS

QUESTION:

Please provide your Fiscal Year 1987 through 1995 total projections for your Acquisition and Construction of Radio Facilities Account.

ANSWER:

The New Obligations Authority (NOA) projections are provided for the following years:

FY-87 - $ 326.2 Million
FY-88 - $ 257.7 Million
FY-89 - $ 207.3 Million
FY-90 - $ 180.1 Million

Projections beyond FY-90 have not been developed at this time. OMB guidance has provided for the development of a five-year plan only, starting from the current budget year request.

NEW VOA SITE LOCATIONS

QUESTION:

You are requesting a total of $11 million to start work on a new Middle East, a new Far East and a New European site. Have you secured actual sites for any of these three projects? If so, where are they? If not, when do you expect to secure them?

ANSWER:

The Middle East site would probably be in Israel, although discussions have only just begun and a final agreement remains to be negotiated. The possible location of a Far East site is classified and we can provide that information in a classified format. A site has not been selected although negotiations are underway. The same is true for a new European site. We are hopeful that final agreements for all three new sites can be reached during this calendar year.

VOA - RFE/RL JOINT SITES

QUESTION:

Are you working with RFE/RL to secure common locations? Where?

ANSWER:

We are working with RFE/RL in the search for joint sites in the Middle East and the Far East.

WORLDWIDE ANALYSIS STUDIES

QUESTION:

When do you expect to complete your worldwide analysis studies?

ANSWER:

The worldwide analysis studies will be completed in FY-86. Results of many portions of the studies are now complete. The worldwide analysis study is actually a series of over 10 interrelated engineering contracts dealing with radio antennas and transmitters, automation and control, and other radio technology. Most of the contracts have been awarded and interim results are being analyzed and used for planning upgrade and renovation of existing sites, e.g., additional transportable power generators are being procured for one of the VOA relay stations as one result of a worldwide power study. All basic design analyses are expected to be completed by the second quarter of FY-86, and most will be completed earlier. Some design verification will continue beyond the design phase itself; full verification of designs is expected to be completed in the last quarter of FY-86.

TANGIER IMPLEMENTATION FUNDS

QUESTION:

At your Tangier site, why did you request some implementation funds before you did your architectural and facilities design?

ANSWER:

Implementation funds in the amount of $12.9 million have been requested for the Tangier Relay Station Project so that the U.S. Army Corps of Engineers can proceed with site development in parallel with the architectural and facilities design. The new relay station will be located in a coastal marsh and a landfill will be required to support it. This landfill will require 19 months to complete and will require 12 additional months for settlement before any facilities can be built on it. The duration of this site development activity is approximately the same as the duration of the architectural and facilities design activity. Consequently, it is essential to schedule them concurrently rather than consecutively so that the site will be ready for use when the architectural and facilities design is completed and so that project completion (first quarter of FY-1991) will not be delayed.

JAMMING CONTINGENCY

QUESTION:

What contingency plans do you have if the Cuban government jams your Marathon facility?

ANSWER:

Simultaneous broadcasting by VOA shortwave facilities on a number of different frequencies is planned. The possibility of leasing time from commercial broadcast operators is being pursued, as authorized in the Legislation.

NED - ADMINISTRATIVE COSTS FOR CIPE VERSUS FTUI

QUESTION:

Why are the administrative costs for the Center for Private Enterprise almost double those for the Free Trade Institute when the FTUI manages a program 2 1/2 times as large?

ANSWER:

In fact, it is unfair to compare CIPE's administrative costs with those of the Free Trade Union Institute. FTUI's administrative expenses are unusually low for several reasons: it is important to note that the Free Trade Union Institute makes large grants to three AFL-CIO affiliated organizations (AIFLD, AAFLI, and AALC) which, in turn, take on responsibility for administering those grants. Also, in fiscal year 1984, FTUI was not charged rent by the AFL-CIO where it is housed. The AFL-CIO also contributes partial support for FTUI salaries, does not charge the Institute for utilities, and has provided FTUI with office supplies and furniture.

PROJECTS FUNDED BY CIPE, FTUI, AND NED

QUESTION:

Please provide a description of some of the specific projects funded by CIPE, by FTUI, and by NED.

ANSWER:

Center for International Private Enterprise (CIPE)

In Spain, the Center for International Private Enterprise (CIPE) is working with the Spanish Confederation of Business Organizations, the umbrella organization of employers groups, to foster and defend private initiative and the free-market system by providing managerial training for the Confederation and its constituent members. Areas to be covered include executive training, organization, member services and community relations, all designed to increase the effectiveness of employer organizations and strengthen private enterprise. This pilot project will serve as a model for similar programs throughout Spain.

The Zimbabwe National Chamber of Commerce is being assisted by CIPE in conducting training courses in business management and economics for small businesses in rural areas. Twenty thousand people will be trained over a two-year period. The objective is to create a strong national network of business people who can influence government policy and thereby foster democratic pluralism.

To improve the effectiveness of Latin and Central American business organizations and their ability to participate constructively in the policy process of their countries, CIPE will conduct a regional training program in San Jose, Costa Rica. Thirty participants from Central and South America will be trained in organization management and the use of computer software in order to develop a core group of business leaders who will have a long-term impact on their countries and region.

Free Trade Union Institute (FTUI)

Poland's Solidarity movement is being assisted by the Free Trade Union Institute (FTUI) in two ways. Its Brussels-based office in Western Europe is receiving FTUI support to provide the West with accurate information on Solidarity activities within Poland and the suppression of trade union and human rights there. Within Poland, FTUI is assisting Solidarity's struggle for workers' rights.

In South Africa, an emerging black trade union has received FTUI support to establish an affiliate council of the International Metalworkers Federation, thus providing a link between South Africa's black workers and their colleagues in free trade unions abroad.

In Chad, despite civil war, drought and economic disaster, a fledgling but promising trade union movement has been assisted by FTUI in establishing itself as a voice for the country's workers.

Elsewhere in Africa -- in Niger, Nigeria, Liberia, Kenya and other countries -- FTUI has been assisting free trade unions in building membership, providing education services, producing publications and communicating with their members in an effort to promote worker participation in union and national affairs.

Chile's democratic trade unions have been assisted by FTUI in maintaining national and regional offices despite intimidation and repression by the government. These Chilean unions are therefore in a better position to resist government opposition and to compete with leftist unions advocating violence and disruption.

Nicaragua's democratic labor federation, with FTUI help, continues to function and to promote democratic values despite severe government restrictions. Union activists conduct meetings, publish a monthly magazine and maintain contact with the international democratic trade union community despite government surveillance and occasional arrests and detentions.

In the Philippines, FTUI is working with the Trade Union Congress of the Philippines, representing industrial workers, and the National Congress of Farmers, representing rural workers, to forge a coalition of workers and farmers which will be a force for democracy in a country where anti-democratic forces are on the offensive. Activities supported by FTUI include developing ties between consumer and producer cooperatives; providing assistance to a network of regional operations centers which support labor organizers, educators, health care specialists and agricultural experts; a nurses's training program; publications; and cooperative efforts between unions and their local communities.

National Endowment for Democracy

In Afghanistan, the Endowment is funding a pilot project to provide educational opportunities for Afghans living in areas controlled by the Afghan Resistance. The program will provide textbooks, educate children in basic school subjects, and establish adult literacy centers and a documents center, all with the aim of promoting democratic principles and values among the Afghan people.

In Africa, the Endowment is funding an exploratory program to assess the potential role of regional bodies in providing training, information and other resources to African journalism educators. The survey will include a review of possibilities for coordination between the two major existing African associations of journalist educators and of other agencies currently providing similar assistance.

In the Eastern Caribbean, the Endowment is helping to design an education-for-democracy program for youth. The study will build on a proposal from Prime Minister Eugenia Charles of Dominica, where initial implementation is anticipated.

The National Council of Negro Women has received an Endowment grant for a one year project to train women leaders in Guinea, Botswana, Swaziland, and Lesotho in democratic principles, organization building, constituency outreach, private sector development and making women's concerns known to government. NCNW will work with national women's organizations in each country through a series of workshops and seminars with the aim of strengthening these private voluntary organizations.

In Nicaragua, the Endowment has given a grant of $100,000 for the support of La Prensa, the only major independent newspaper in Nicaragua. The grant will be used to purchase desperately needed essential printing supplies without which the paper would be forced to stop publication.

Also in Nicaragua, Endowment funds will help support the Nicaraguan Center for Democratic Studies which is being established by the Coordinadora Democratica, a broadly based alliance of democratic political, civic and economic groups in Nicaragua, and the Nicaraguan Permanent Commission on Human Rights. The Center will establish discussion groups on democratic ideas and the potential for their application in Nicaragua, open a library, produce a series of publications, sponsor conferences and train Nicaraguans in the skills needed to sustain an independent democratic presence in Nicaraguan life.

Time and We and Problems of Eastern Europe, two Russian-language journals published by emigre scholars and writers for Soviet and East European readers, are receiving Endowment funds which will enable the editors to put their publications on a more secure financial footing. Both journals include articles on politics and history which cannot be published in the Soviet Union or Eastern Europe. They also publish books and articles by Russian and Western writers on a wide variety of subjects including philosophy, culture, and economics.

This represents a sampling of programs funded by the Endowment. For a complete review of the Endowment's programs we attach a copy of the 1984 Annual Report and a list of grants awarded to date in 1985.

National Endowment for Democracy
Fiscal Year 1985
Grants Awarded
October 1, 1984 - March 31, 1985

The National Endowment for Democracy is a nonpartisan private non profit corporation established in 1983 to promote the development of democratic values and institutions around the world.

In accordance with the program priorities set forth in both the Endowment's articles of incorporation and in the National Endowment for Democracy Act (PL98-164), in fiscal year 1985, the Board of Directors maintained its commitment to provide major support for activities in support of free trade unions and business organizations.

In the first half of the fiscal year, the National Endowment for Democracy awarded grants totalling $14,079,679 to 13 private sector organizations.

For the work of business and labor, in the first half of fiscal year 1985 the Endowment has made the following grants:

> The Free Trade Union Institute, $11,560,788 to continue the broad range of programs for the development of free and independent democratic trade unions which were begun with the support which the Institute received from the Endowment in fiscal year 1984. Among the programs which the Institute plans to enhance in 1985 are union-building efforts in Central America, Chile, the Philippines, Poland and South Africa.
>
> The National Chamber Foundation, $1,438,326 for the work of the Center for International Private Enterprise (CIPE). As in fiscal year 1984, CIPE programs receiving Endowment support include programs in business and economic education, management and technical assistance, research and support grants to strengthen private voluntary business institutions. The countries which the Center plans to initiate programs in 1985 include Costa Rica, Spain and Zimbabwe.

The following organizations also received grants from the Endowment in the first half of fiscal year 1985:

> The American Friends of Afghanistan, $180,845, for a pilot project to provide educational opportunities for Afghans living in areas controlled by the Afghan Resistance. The program will provide textbooks, train teachers, establish literacy centers and an educational clearinghouse, all with the aim of promoting democratic principles and values among the Afghan people.
>
> The Association for Education in Journalism and Mass Communication, (AEJMC), $25,000, for an exploratory program to assess the potential role of regional bodies in providing training, information and other resources to African journalism educators. The survey will include a review of possibilities for coordination between the two major existing African associations of journalist educators and of other agencies currently providing similar assistance.

Caribbean/Central American Action,(CCAA), $15,700, to design an education-for-democracy program for youth in the Eastern Caribbean. The study will build on a proposal from Prime Minister Eugenia Charles of Dominica, where initial implementation is anticipated.

Caribbean/Central American Action, (CCAA), $211,250, to administer two projects to be conducted by the Centro de Estudios Politicos in Guatemala City, Guatemala. The Center will organize and execute a get-out-the-vote promotional campaign and a series of pre-electoral public opinion polls in conjunction with the Guatemalan elections which are scheduled for July 1985. This proposal has been endorsed by all major political parties participating in the elections.

Jamaica-World Relief, $106,940, to provide planning assistance for the International Conference of Youth and World Youth Festival of Arts to be held in Jamaica in April 1985 to celebrate the United Nation's International Youth Year. The grant will be used by the Secretariat of the conference to insure broadly representative participation by democratic youth leaders worldwide.

The National Council of Negro Women, Inc., (NCNW), $155,830, for a one year project to train women leaders in Guinea, Botswana, Swaziland, and Lesotho in democratic principles, organization building, constituency outreach, private sector development and making women's concerns known to government. NCNW will work with existing major national women's organizations in each country through a series of workshops and seminars with the aim of strengthening these private voluntary organizations.

The Overseas Education Fund, (OEF), $25,000 to work with Uruguayan women to design a program to increase their contribution to national economic efforts and the consolidation of democracy. OEF will draw on its past experience with similar programs in other countries (especially Conciencia in Argentina) in working with the Uruguayan women to develop their organizational plans and design an appropriate vehicle for the participation of Uruguayan women in policy formulation.

The Phelps-Stokes Fund, $10,000 to convene a series of three day-long meetings of African professionals. The purpose of the meetings is to discuss the ways in which programs for the revitalization of African non-governmental organizations might contribute to the strengthening of pluralistic values.

PRODEMCA, (Friends of the Democratic Center in Central America), a non-profit educational organization committed to the promotion of democracy and human rights in Central America, to administer a grant of $100,000 for the support of La Prensa, the only major independent newspaper in Nicaragua. The grant will be used to purchase desperately needed essential printing supplies without which the paper would be forced to stop publication.

PRODEMCA, $200,000 for support of the Nicaraguan Center for Democratic Studies which is being established by the Coordinadora Democratica, a broadly based alliance of democratic political, civic and economic groups in Nicaragua, and the Nicaraguan Permanent Commission on Human Rights. The center proposes to establish discussion groups on democratic ideas and the potential for their application in Nicaragua, to open a library, produce a series of publications, sponsor conferences and train Nicaraguans in the skills needed to sustain an independent democratic presence in Nicaraguan life.

Time and We and *Problems of Eastern Europe*, two Russian-language journals published by emigre scholars and writers for Soviet and East European readers, $25,000 each. These funds will enable the editors to put their publications on a more secure financial footing by providing funds for publishing costs. Both journals include articles on politics and history which cannot be published in the Soviet Union or Eastern Europe. They also publish books and articles by Russian and Western writers on a wide variety of subjects including philosophy, culture, and economics.

WIRELESS FILE

QUESTION:

By the end of FY 1985, how many posts will have computerized wireless file capabilities? By the end of FY 1986? How much is in your 1986 budget for wireless file upgrades?

ANSWER:

We expect that 75 posts will have computerized Wireless File capabilities by the end of FY 1985. By the end of FY 1986, the number of such posts should increase to 100. The growth in the number of such posts is largely dependent upon the availability of adequate voice-grade dial-up telephone service in the countries where USIS posts are located. The gradual enhancement of worldwide long distance telephone service by local PTTs is a big factor in our expansion capabilities. The FY 1986 budget contains $770,000 for Wireless File upgrades.

QUESTION:

The wireless file is transmitted five days a week, presumably Monday through Friday. Do you feel this leaves a gap at your overseas posts that have different days for their weekends? What can be done about it?

ANSWER:

The regular editions of the Wireless File are prepared by a Press Service staff which works a normal Monday through Friday work week in Washington. The regular Wireless File is frequently supplemented by special items transmitted to overseas posts on weekends or at other times when material such as the text of the State-of-the-Union Address must be transmitted. To expand the availability of the Wireless File to overseas posts, the Agency will soon be conducting a pilot test under which selected Wireless File items as soon as they are created will be loaded on a value-added commercial network. These items will be available to selected field posts 24-hours a day, seven days a week. The access to these items will therefore be independent of time differences between Washington and overseas posts and any differences in work weeks which exist throughout the world. If this pilot test succeeds, we plan to make these special Wireless File items directly accessible to foreign editors at overseas locations.

OVERSEAS RESEARCH CENTERS

QUESTION:

Why does the Administration propose transferring funding for the American Overseas Research Center from USIA to the Smithsonian?

ANSWER:

Our understanding of the purpose of the Smithsonian's request is to provide additional funding in support of American Overseas Research Centers. The Centers have long been supported by funding from a variety of sources. USIA and the Smithsonian Institution, with our differing objectives and mandates, support different aspects of the Centers' activities. We understand that the funding sought by the Smithsonian is primarily for administrative support, both overseas and domestically. Our funding is primarily for program support in coordination with other USIA-supported academic exchange programs abroad. We are unaware of any plans to transfer USIA funding support to the Smithsonian, nor have we discussed such a plan. We have discussed the Smithsonian's request with program administrators there, and we support it.

QUESTION:

Why do you feel that the Smithsonian can better handle this function than USIA?

ANSWER:

As discussed above, USIA supports the Center for different purposes and in different ways than does the Smithsonian. We believe that both types of support are important and that each complements the other.

QUESTION:

How much did USIA spend on this activity in FY 1984, FY 1985?

ANSWER:

USIA funding for each of the Centers in both years is attached.

Overseas Research Centers - FY 84 and FY 85

Center	FY 84	FY 85
American Research Center in Turkey	53,000	58,012
Cyprus-American Archaeology Project	18,000	25,500
American Institute of Maghreb Studies	40,000	no proposal yet
American Institute of Indian Studies	51,600	71,300
American Institute of Yemeni Studies	59,500	56,800
American School of Oriental Research Philadelphia	35,000	35,000
American School of Oriental Research Jordan	42,800	35,200
American Institute of Pakistani Studies (in Rupees)	17,500 32,500	55,000
American Research Center in Egypt	120,000	160,000
Center for Arabic Studies	31,622	41,224

QUESTION:

Do you intend to fund any activities of the Centers in the future?

ANSWER:

Yes.

PURCHASE OF TRANSMITTERS FROM U.S. SUPPLIERS

QUESTION:

I understand that Voice of America has arranged to run a test and evaluation program on four 500 kilowatt transmitters at its site in Greenville, North Carolina. Three of the four are apparently of foreign manufacture. In addition, I understand that transmitters of other manufacturers may also contend for the replacement program. For security reasons, does VOA have any plans to ensure that major components of any transmitters purchased have United States suppliers?

ANSWER:

The United States Information Agency is committed to a procurement program that fairly and reasonably complies with procurement law and regulation. Federal policy has been established in the Trade Agreements Act of 1979 and the Competition in Contracting Act of 1984 (CICA). CICA requires full and open competition. With respect to the acquisition of high power transmitters for the Voice of America's modernization and expansion program, the Trade Agreements Act requires us to open competition to all contractors from countries covered by the Act. USIA has aggressively pursued American transmitter manufacturers and suppliers for more than two years to inform them of our plans and intentions in order to give them the maximum opportunity to be competitive in the world market. We will fully comply with the requirements of law in effect at the time we actually make the transmitter procurement. American and European manufacturers would compete equally. No procurement strategy has been firmly established for the major transmitter buy(s), but USIA will explore every legal opportunity to maximize the participation by American firms. The selection will consider technical superiority, life-cycle operating and maintenance costs as well as initial purchase price, and capacity to meet delivery schedules. We have no authority to establish any other policies or criteria.

ACQUISITION OF U.S. EQUIPMENT BY FOREIGN BROADCASTERS

QUESTION:

Great Britain, France, Germany and Switzerland each have domestic manufacturers of high powered radio equipment. Do any of these countries use U.S. made equipment for their national broadcast systems similar to VOA?

ANSWER:

Yes. The British Broadcasting Corporation is currently modernizing its radio relay station at Rampisham. As part of this project at least 12 multi-million dollar curtain antennas have been supplied and installed by an American firm. In addition, one-half of the transmitters for the project were supplied by the German company AEG-Telefunken, and additional equipment is being supplied by the Swiss firm BBC Brown Boveri, Inc. Fifty-two of the antennas at the large German station at Wertachtal are also the product of BBC Brown Boveri, Inc. Also, the Swiss purchased a 300 kW HF transmitter for its station at Schwarzenburg from the British company Marconi Communications Systems.

While the equipment of only one U.S. supplier is mentioned above, it appears that these broadcasters do not restrict themselves solely to equipment produced by domestic companies. In the instance of high power transmitters, another consideration is that until the procurement of the transmitters for Greenville by VOA, no U.S. manufacturer offered a 500 kW HF transmitter. Therefore, even if a foreign broadcaster wanted a U.S. transmitter, it was not available in the marketplace.

PREFERENCE FOR U.S. EQUIPMENT

QUESTION:

If United States made equipment can compete in efficiency and price, wouldn't VOA prefer to use it, since considering logistics and security this would simplify repair and support problems?

ANSWER:

Yes, we agree that if U.S. made equipment is competitive in terms of (1) its technical performance, (2) its first and life-cycle operating and maintenance costs and (3) its suppliers ability to meet the schedule requirements of the VOA's modernization and expansion program, there may be advantages to its acquisition over the products of foreign suppliers. Specifically, its logistical support may be easier and more reliable.

QUESTIONS SUBMITTED BY SENATOR WARREN RUDMAN

5% Federal Pay Reduction

QUESTION:

Since your budget assumes the 5% Federal pay reduction, ($8.6M), would you come in for a supplemental should merely a salary freeze transpire?

ANSWER:

With the Administration's approval, the Agency would request a supplemental for the full amount in order to maintain its current operating level.

Agency Increase

QUESTION:

Although there is no doubt that your organization is playing "catch-up" after years of decline, these are the days of staggering federal deficits and even the Defense Department is targetted for more austere programming. Can't your organization do "more with less" and cut some bureaucracy to reflect a good faithful effort, rather than requesting over 20% more than FY 85? For example, perhaps fewer than 17 new studios could be constructed in Washington.

ANSWER:

We are doing more with less. In real dollar terms, our 1986 request represents an increase of four-tenths of one percent above what USIA had in 1967 for program operations. Further, we are now operating with 3,000, or 24%, fewer employees than in 1967. Despite these resource constraints:

> The Voice of America will broadcast 224 hours more each week than in 1967 -- a 27.6% increase. These radio programs are broadcast in 42 languages, 7 more than in 1967.
>
> This year, we will send 650 of America's leading specialists abroad to talk about America and her policies, compared to 214 in 1967.
>
> We will operate in 129 countries , 17 more than in 1967 -- including China, where one-quarter of the world's population lives.

Thus, while we will strive to effect more economies in our operations, we are doing about as much as possible with what we have. The great rebuilding mandate that we are attempting to carry out will necessarily require more resources. Some examples of the recent economies we have effected are noted below.

Regarding Voice of America studios, the Voice is operating out of seriously outdated studios and the number of studios lags far behind our broadcasting needs. However, mindful of growing Federal expenditures and the need for us to do our part in keeping costs down, VOA is continually seeking new approaches and methods for the most cost-efficient day-to-day operations. The same holds true for VOA's modernization program. For example, two new studios and two recording booths were recently built in VOA's newsroom. These new studio facilities were constructed contiguous to one another with one common control room (instead of the previous practice of a separate control room for each studio). This approach reduced considerably the construction costs for that studio "complex". In other broadcast areas of VOA we are building small, economical "walk-in" recording booth clusters serviced by one broadcast engineer to record material for later broadcast (instead of using separate, full-size and fully staffed studios for this purpose).

Initiatives such as these can have a significant favorable impact on the cost of future studio construction and studio staffing. As these new, more cost-effective approaches are implemented, we will review carefully the studio issue with a view to seeing how many fewer than the seventeen planned might meet our current and projected needs.

As noted above, we are endeavoring to reduce our overhead wherever possible as illustrated by the following economies that we have realized in several areas of our operations:

> (1) Over a three-year period, the Agency had planned to increase international youth exchanges by 15,000 under the President's International Youth Exchange Initiative. The combined three-year funding to promote exchanges with the six Economic Summit partner countries has been scaled down from $20 million to $13 million while the number of exchanges that is expected to result from this grant funding has increased to 18,000. Therefore, more efficient management of a smaller amount of money is likely to produce greater results than originally predicted. The Agency has paid particular attention to cost-sharing with grantee organizations and matching/challenge grant formulas in achieving this savings.
>
> (2) Over the past four years, the Agency's exchange-of-persons programs have been expanded significantly with only modest increases in staffing. From 1982 to 1985, funding of exchange and exchange-related programs, including program direction and administration, have increased by 75%. The number of staff

positions assigned to these functions has increased by only 6%. This expansion of program activity has involved not only more of our traditional programs, but also new program models, including the university-to-university affiliation program, the Artistic Ambassador Program, and the youth exchange program.

(3) USIA has also been able to increase significantly the number of grants it can offer both Americans and foreigners through a concerted Agency effort to increase productivity at the contracting organizations and by promoting cost sharing. For example, cost sharing has increased dramatically. Our expanding Fulbright program with the PRC has only been made possible because Chinese universities provide housing at no-cost to the Fulbright professors (26 in FY 85). Thai and Korean universities do likewise. In-kind cost sharing is a great boon to the program, especially in the non-Communist countries of Asia where housing on the open market would cost $2,400 to $3,600 a month - more in fact than the monthly maintenance.

(4) The expanded University to University Linkage program has proven to be highly cost effective. Of the 27 grants issued in FY-84, costing approximately $1,550,000, the Agency received approximately $3,000,000 in cost-sharing from U.S. universities.

(5) Administrative costs for the major academic programming agencies are projected to decline to 12.4% of the total budget in FY-85 as compared to 12.7% in FY-84 even though the number of grantees increased by 650 over the same period.

(6) As part of our total review of the Applicant Personnel Security Investigative Program, new security investigation and clearance procedures were recently implemented. They will result in cost savings of money and provide for more expeditious handling. Rather than rely upon OPM for the bulk of the Agency's background investigative work, a Contract Investigator Program has been initiated. So far we have achieved an approximate 30% reduction of OPM prices and time. As our investigative expenses to OPM during FY 84 were $607,725, we anticipate a $182,000 reduction during the next full fiscal year. In conjunction with recent Federal Personnel Management changes, all positions in the Agency were reviewed for position sensitivity and access to national security information levels. The study enabled many positions to be redesignated into categories requiring less expensive types of background investigations resulting in an anticipated savings of $45,000 per annum.

(7) Our Tsukuba Exposition in Japan is augmented by considerable contributions from the private sector. As of last month, we had received an estimated $5.8 million in in-kind donations and $880,521 in cash donations and income. We expect to receive additional cash donations and income of $213,000.

(8) We have made extensive improvements in our technological support to domestic and overseas operations. Specifically, we have increased the efficiency of distributing the Wireless File by implementing computer-to-computer transmissions to 59 overseas posts. We are extending this capability to approximately two additional posts each month. This results in significant cost avoidance, particularly in those areas of the world where leased teletype circuits, which this technology replaces, are required. The transmission costs for all 25 posts are currently $260,000 using this technology. The total cost each year would otherwise be $745,000. Therefore, at 25 posts where this distribution method is installed, the Agency is avoiding estimated total annual expenditures of $485,000.

This enhancement also provides posts with flexibility and efficiency in utilizing the Wireless File for their program needs. This enhancement was accomplished with existing resources.

(9) Based on current salary and benefit levels, the FY '85 savings due to contracting out for travel arrangement services is approximately $105,000.

(10) Science World is a weekly science digest series that is produced for placement on overseas television. All program material that makes up this series is received free of charge from major Fortune 500 companies. It continues to be one of our very popular series programs, and reaches an estimated 100 million viewers each month in 94 countries around the world. It is also a bargain program for us, costing less than $4,000 per program to produce including French, Spanish, Arabic, and Portuguese language verions. Prior to 1982, we produced a similar 15-minute program on the same theme which cost $18 - 20,000 per program, before inflation. In 1982 we designed a new series on a more modest budget. A letter was written to the Fortune 500 companies, requesting assistance by providing film and videotape material for this series. The response was immediate and overwhelming. Moreover, five programs from this series have been awarded Golden Eagles by the Council on International Non-Theatrical Events (CINE).

(11) In 1982, USIA spent approximately $225,000 to convert videotapes to the diffferent television signal standards in use abroad. In January 1984, USIA-TV purchased for $55,000 a standards converter which will save this sum, while speeding delivery of programs to posts and assuring better quality control. This price contrasts with earlier staff estimates ranging up to $1.2 million to develop this in-house capability. It was originally estimated that seven personnel slots would be required to develop the capability. With our own converter, no additional staff positions have been added. Since installing the in-house converter on January 16, 1984, USIA-TV has produced 7,479 converted PAL and SECAM copies in 3/4, 1/2 inch Beta and 1/2 inch VHS. The production of this number of copies would have cost approximately $614,730 if made under contract. This figure covers the operation of the converter between January 14, 1984 and March 1, 1985.

(12) VOA has successfully negotiated a new labor-management contract which provides for lower starting pay for newly hired wage-board Broadcast Technicians. This will result in considerable savings in staff salaries. It is estimated that the new lower salary rates paid to these employees will save us an estimated $230,000 over last year's rate paid to new hires.

NATIONAL ENDOWMENT FOR DEMOCRACY*

QUESTION:

Regarding the National Endowment for Democracy, some questions come to mind: a. Can you clarify for me, whether or not fiscal year 1984 funds are still being spent by the two national parties?

ANSWER:

The party Institutes are still expending fiscal year 1984 funds, as are most of the Endowment's 1984 grantees. It is important to note that the overwhelming majority of Endowment program funds was obligated by the Board only at the end of the 1984 fiscal year. Thus, programs approved at that time only began to get underway around the end of September 1984 which, of course, marks the end of that fiscal year.

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*Responses to these questions were prepared by the National Endowment for Democracy staff.

As Congress itself recognized, 1984 was a start-up period for the Endowment. Before funding proposals from any grantees, the Endowment Board devoted considerable time and effort to laying a solid operating foundation. Thus, the grant agreement between the Endowment and USIA releasing funds was signed in mid-March 1984; after a lengthy selection process, the permanent President assumed his position on May 1, 1984; grant guidelines and selection criteria were adopted by the Board in June 1984, and at the same time the Board reviewed specific program goals and priorities. Only then did the Board consider significant program proposals for the party Institutes, and even then it asked for revisions and clarifications which took more time. Programs approved and begun near the end of one fiscal cycle will, of necessity, be carried out as the next fiscal cycle begins.

QUESTION:

b. Since NED is a broker for government monies, can you comment on the effect application of the Freedom of Information Act would have on the Endowment?

ANSWER:

At its June 8, 1984 meeting, the Endowment's Board adopted an explicit openness policy which states that: "...the NED President is directed to implement a policy to insure that all proposals approved by the NED Board, grant agreements between NED and its grantees, reports on program implementation, minutes of directors meetings, Reports to Congress, and the results of audits are made available to the public upon reasonable notice and at a reasonable expense."

Though it is a private organization, the Board recognized that, as a recipient of taxpayers' money, the Endowment has a responsibility not only to operate openly but to be forthcoming in responding to requests for information.

The Freedom of Information Act was enacted for the explicit purpose of making available documents and records of U.S. government agencies. Therefore, like all other private organizations that receive government funds, the Endowment is not covered by F.O.I.A. To single out NED would undermine one of its most essential characteristics -- which Congress itself has insisted upon -- its private nature.

Indeed, the Endowment was created in the belief that only a private organization could effectively carry out the long-range, nonpartisan effort necessary to foster the development of democracy abroad. Committed democrats abroad are challenged by well organized and well financed efforts supported by opponents of democracy. While these democrats need help, their independence would be compromised, and therefore their ability to function jeopardized, were they to be the recipients of U.S. government support.

QUESTION:

c. An outsider looking at the composition of your Board of Directors could perceive, and I emphasize the word perceive, that conflicts of interest abound since many of the Institutions receiving grants are represented on the Board. I understand individual members disqualify themselves when voting on parochial interest programs, but I am concerned about doing a better job at not only being but also appearing to be objective when assessing potentials and capabilities. Please comment on your plans to rectify this perception.

ANSWER:

The Endowment staff and Board have carefully reviewed all proposals which have been submitted by the Institutes earmarked for funding in the Endowment's authorizing legislation in order to determine whether the proposed programs meet the statutory criteria. Such proposals must also meet the grant guidelines and selection criteria which the Endowment's Board use to evaluate all proposals. Also, the Endowment's largest grantee, the Free Trade Union Institute, has provided a comprehensive briefing session for Board members devoted solely to an in-depth review and evaluation of its programs. By formalizing this procedure to include all grantees where there might be even a perception of conflict of interest, the Endowment can both enhance its project assessment and evaluation process and reassure observers that the care and objectivity of its procedures are beyond question.

The coordinating function of the Endowment's Board should not be taken lightly. The fact is that it is composed of men and women of high integrity who together constitute a forum where the experience and perspective of major elements of the American private sector join to define a coordinated program with clear direction and priorities. Here the extensive field experience of the American labor movement, the worldwide network of chambers of commerce and business associations, the practical know-how of our political parties, and the invaluable personal and professional experience of individual members of the Endowment Board provide an extraordinarily broad base of information for the preparation of the organization's programs and priorities.

RIAS Berlin Television Station

QUESTION:

Over eight and a half million dollars is to be allocated to broadcasting into East Germany from Berlin. Would you please identify the audience this effort targets and address the demographics, that is, the size and profile of this "market."

ANSWER:

Under USIA's budget request for eight million dollars, RIAS-TV would broadcast initially to several million viewers in East Berlin and the GDR, as well as to the entire population of nearly two million people in West Berlin. Its electronic reach eventually could be extended to cover all of the GDR. Programming would include objective news and analysis, as well as programs which accurately report on life, culture, and institutions of the United States, as well as the Federal Republic and other countries of the Western alliance. Such information is especially vital for East Germans, whose own media offer a tendentious and distorted view of American policy and society and the West. It is scarcely less important for West Germans, especially members of the successor generation who did not experience the close U.S.-German cooperation in Berlin during the postwar decades. These young people's views of the U.S. are less well-informed than their elders', and are much more likely to be critical.

Brisbane Expo 88

QUESTION:

Could less than $3.5M be cost effective for participation in the "EXPO 88" since this location is on the eastern shore and the audience may be quite limited in numbers?

ANSWER:

The $3.5 million requested in FY 86 represents only the initial costs for this project which will cover theme research, design contract and other development costs. Additional appropriations of $6.5 million will be required in fiscal years 1987 and 1988 to complete preparation of the exhibit and to cover field showing costs.

If the total appropriation for the Brisbane Expo were limited to $3.5 million or less, we would have to reduce drastically the size and scope of the planned U. S. exhibit. Such a diminished U.S. presence would be viewed in a less than positive light by the Government of Australia in particular and by foreign audiences in general. The total appropriation for U. S. participation in the Tsukuba Expo '85 was $8.5 million. Considering the distances involved in mounting an exhibition in the Far East and considering a modest rate of inflation, U.S. participation equivalent to that of most international participants is estimated to cost $10 million.

Opening of Branch Post in Wuhan, China

QUESTION:

I understand that the Office of Foreign Missions, which is charged with diplomatic reciprocity, recommends that the opening of our consulate in Wuhan be linked to the PRC opening a consulate in Honolulu, and those projected openings are now set for late 1986. Perhaps the $219,000 would best be held until the FY 87 budget.

ANSWER:

Through an exchange of diplomatic notes, China and the United States have agreed to the opening of a Chinese consulate in Honolulu and an American consulate in Wuhan, after May 31, 1986. The Department is proceeding with plans to open our consulate in Wuhan in June, 1986. The Agency will open a branch post to coincide with the consulate opening, and the funds requested will be required in FY 86.

QUESTIONS SUBMITTED BY SENATOR ERNEST F. HOLLINGS

RADIO MARTI PROGRAM

QUESTION:

Mr. Wick, last year on March 28, 1984, when Senator Laxalt asked when Radio Marti was going to start broadcasting, you replied, "Within the next 6 months, or possibly earlier." Those 6 months have gone by, and so have another 6 months.

On January 28, 1985, President Reagan honored Jose Marti's birthday by indicating that broadcasting to Cuba would be "Beginning in the near future."

Apparently all the spanish that the administration knows is "Manana."

You have even frustrated your friends at the Heritage Foundation with the delays in getting Radio Marti on the air.

We have the 4-page response you sent to Jack Kemp, Tommy Hartnett, and the other Congressmen.

How come you didn't know you were going to have all the problems with Radio Marti last March when you predicted being on the air in 6 months?

ANSWER:

The estimate which I gave on March 28, 1984 was overly optimistic and did not anticipate many of the difficulties which subsequently developed. These have been primarily in the personnel area and involve the length of time required to recruit and clear professionals for the Radio Marti Program service. Quite frankly, it just takes a lot longer to get certain things accomplished in government than has been my experience in the private sector. In the case of the Radio Marti Program we began from scratch, since we did not anticipate that this would be a USIA responsibility. We have since been involved in nothing less than the creation of a major journalistic enterprise. This has required the hiring of people and providing office space for them, the construction of broadcast facilities, the development of a professional research organization, and the creation of an administrative and personnel infrastructure to support the effort. All of these things take time, and in this instance have taken longer than I originally believed would be the case.

QUESTION:

Just when is it planned to have Radio Marti broadcasting to Cuba?

ANSWER:

As I testified on April 1st, before the Foreign Relations Committee, our target date for beginning is now late May.

QUESTION:

In the letter to the Congressman you indicated that the long security clearance process was an obstacle in getting Radio Marti on the air. What kind of information will this staff be handling or broadcasting that a clearance is required.

ANSWER:

All personnel hired at USIA are subject to a security clearance before being brought on board. Different positions obviously required different levels of clearance. Radio Marti personnel working in the news and program areas would not be expected to handle classified information. However, we recognize that accuracy is essential to credibility, particularly in the handling of news reports. We have, therefore, been particularly sensitive to the need for carefully vetting all Radio Marti personnel in order to guard against the possibility of attempts to infiltrate employees who might engage in efforts to undermine the service's credibility.

QUESTION:

Why does it require as many persons to operate Radio Marti as it does for VOA's USSR Division?

ANSWER:

The legislation establishing Radio Marti specifies that it shall be administered separately from the VOA. It has therefore been necessary to create a separate administrative and personnel office for the Radio Marti Program. Further, all VOA language services have the benefit of various central services such as engineering, news and current affairs. Radio Marti requires its own engineering staff for both Washington studios and for manning the Florida transmitter site. Finally, Radio Marti's mandate requires it to be a service of news and information about Cuba to Cubans. This requires a substantial research operation that is unique to the Radio Marti Program.

500 KILOWATT TRANSMITTERS

QUESTION:

U.S. manufacturers of broadcast transmitters have apparently run into an anti-american bias on the part of VOA's procurement personnel. We are informed that at the March 19, 1985 pre-bid conference for the engineering study, the Project Officer (Jim Lang) on the Morocco Project, stated that it was obvious that the transmitters will have to be foreign. U.S. Manufacturers believe that VOA's specifications are tailored to foreign transmitters.

Mr. Wick, are you as astounded as I am to learn that VOA is biased towards american manufacturers of broadcast transmitters?

ANSWER:

VOA is not biased against or in favor of American manufacturers of broadcast transmitters. Indeed, VOA recently purchased four medium wave transmitters from an American manufacturer and one of four recently purchased high power shortwave transmitters was purchased from an American manufacturer.

QUESTION:

How can we remind these VOA officials that it is not Brown Boveri of Switzerland, Telefunken of Germany, and Marconi of England, that supplies the taxes that pays their salaries?

ANSWER:

VOA officials know well and understand that it is the taxpayers who underwrite the funding of all VOA endeavors. With this in mind, we make every effort, through the open, competitive market, to insure that for the taxpayer dollars expended we procure the best, most cost-efficient products possible.

QUESTION:

The State Department now gives a 15 percent advantage to U.S. manufacturers for the construction of our buildings overseas. Don't you think that U.S. manufactures are entitled to preference?

ANSWER:

The VOA contracts for construction and equipment, including the transmitters, required for the VOA modernization program will be procured competitively in full conformance with the applicable procurement law. The USIA follows the "Buy American Act" and the "Trade Agreements Act of 1979." We may not establish our own higher or lower standards for including or excluding foreign companies.

QUESTION:

If we procure the new transmitters from foreign sources, how are you going to assure continuous operation of sites in time of crisis? How are you making sure another country won't be able to control the content of your broadcasts by threatening to withhold critical spare parts?

ANSWER:

The continuing supply of critical spare parts is a most important factor in VOA operations. The most likely cause of interruption to such supply is a manufacturer's deleting the component from his product line or going out of business. VOA maintains an adequate stockage level of spare parts, considers second and multiple sources for parts, and because of the age of equipment still operated by

VOA, sometimes fabricates its own replacement parts. Potential provocative acts by trading partners of the U.S. represent a much lesser risk and one which government agencies, including Defense, accept.

QUESTION:

The Board for International Broadcasting has indicated that they have been very satisfied using American products at their sites. We appear to be moving to common transmitters for VOA and RFE/RL; Should not they be using common products where they are co-located in order to improve commonality, operation up times, reduced training and maintenance times?

ANSWER:

VOA understands that the Board for International Broadcasting has been satisfied also with the non-American products they have acquired. Joint VOA and RFE/RL sites will be designed and constructed as single facilities. The installed equipment will have maximum commonality for the reasons cited, and for minimum spare parts stockage. Differences in broadcast mission between VOA and RFE/RL will lead to some equipment differences, e.g., antennas.

QUESTION:

How are we sure we will get the latest, most up-to-date equipment?

ANSWER:

Equipment for the VOA modernization program will be procured against performance specifications. Substantial effort is underway to assure that the specifications are achievable and can be obtained competitively. Each potential source will bid his most up-to-date equipment in order to best compete for the contract.

QUESTION:

Apparently there have been some questions about the use of vacuum tube technology in this day of modern solid state equipment. Certainly this doubting of the necessity of value of vacuum tubes does not extend to the use of this type of tube as the power source. Isn't it true that solid state devices are only on 5 KW transmitters and won't be able to produce 500 KW power for many decades?

ANSWER:

The VOA modernization program is predicated, planned, and budgeted on the use of transmitters which use high power vacuum tubes. The program is not in question. VOA technical specialists are keeping abreast of potential advances in the state-of-the-art. The technological and cost implications of the future application of direct broadcast satellites and terrestrial phased array antennas are being examined. The phased array approach might employ large numbers of small solid state transmitters instead of one large transmitter. The future applicability and cost effectiveness of these approaches has not been proved.

MODERNIZATION OF VOA

QUESTION:

Mr. Wick, you kindly sent me James Reston's article about the need to modernize the Voice of America. I agree that it is a good article, but I hope you didn't send it to me because you doubt my support of VOA.

Mr. Reston closes his article with the thought that the 21 additional MX missiles Congress approved last week cost about the same as the cost of modernizing VOA. He suggests that "in Morocco and Geneva, the power of the word and the daily sound of America's voice may be important" than the MX.

In sending me the article, did you want us to get the thought we might be better off spending $1.5 billion on VOA instead of the MX?

ANSWER:

The article was sent only because it provided a highly supportive view of the modernization program by an eminent and respected columnist. Obviously, there is no trade off between the MX and the VOA.

EDUCATIONAL AND CULTURAL EXCHANGES

QUESTION:

On March 6, 1985, Kate Katzki testified to the Subcommittee on behalf of the Council for International Programs. The Council was concerned about the funding of the core programs in USIA's Private Sector Division.

Please submit for the record a chart displaying the fiscal year amounts for these programs, starting with Fiscal Year 1980 thru 1986, and what would be required to fulfill the Pell Amendment requirements to these core programs in FY 1986.

ANSWER:

A table displaying funding for "traditional programs" of the Office of Private Sector Programs from 1980 through 1985 and projected funding for FY 1986 is attached.

During the consideration and enactment of USIA's FY 1984/1985 authorization bill, the Congress removed our private sector programs from the doubling provisions of the Pell Amendment and placed a cap on the total funds that can be made available for those programs. That cap is still in effect. Accordingly, there have been no program increases for the Office of Private Sector Programs since FY 1983, except for certain specified increases such as the Eisenhower Fellowship Foundation. The Agency's FY 1986 budget request also provides for no program increases, only cost increases.

If support for these programs were to be doubled in real terms between 1982 and 1986, funding of $8,625,000 would be required, an increase of $3.6 million over the current projection.

BUREAU OF EDUCATIONAL AND CULTURAL AFFAIRS
OFFICE OF PRIVATE SECTOR PROGRAMS
TRADITIONAL PROGRAMS (CORE)

	FY 1980	FY 1981	FY 1982	FY 1983	FY 1984	FY 1985	FY 1986
American Council of Young Political Leaders......	532,098	569,013	310,627	459,000	468,879	419,000*	438,274
Asia Foundation..................................	700,000	500,000	275,790	97,095	93,561	57,433	60,074
Council of International Programs................	535,390	687,742	256,465	352,000	350,000	350,000	366,100
Indo-U.S. Subcommission..........................	321,052	345,000	180,416	255,115	348,617	353,547	369,810
Internation Theatre Institute of the U.S.........	100,010	71,700	15,000	113,517	108,304	104,748	109,566
Japan Society (CULCON)...........................	206,635	—	41,879	36,171	22,360	42,000	42,000
National Committee on U.S.-China Relation........	649,087	537,207	117,700	444,631	314,255	302,043	315,936
Operation Crossroads Africa......................	1,939,230	2,100,726	1,239,825	1,830,428	1,993,911	1,822,362	1,906,190
Partners of the Americas.........................	277,050	523,422	379,838	408,454	320,000	325,000	339,950
Sister Cities International......................	--	225,500	76,500	151,000	191,000	160,000	167,360
United States Youth Council......................	341,209	463,565	202,955	400,000	400,000	396,100	414,329
United States Youth Council Labor Desk...........	168,680	230,610	547,132	248,108	399,951	387,086	404,891
Total..	5,770,441	6,254,485	3,644,127	4,795,519	5,010,838	4,719,319	4,934,480

*Additional funding (Soviet Exchange Projects - 105,822)

NATIONAL ENDOWMENT FOR DEMOCRACY

QUESTION:

In the 1986 budget, a separate appropriation is requested for the National Endowment for Democracy, as well as a $12,000,000 increase. Does the separate appropriation mean that the USIA is trying to put as much distance as possible between itself and NED?

ANSWER:

The request for a separate appropriation is a technical funding change, and certainly does not mean that the Agency is trying to distance itself from the National Endowment. On the contrary, the Endowment has the full support of the Agency; we view this organization as an essential link in a comprehensive overseas information strategy. At the same time, the Endowment is not directly operated by USIA; rather, its relationship to the Agency is similar to that of the East-West Center. In both cases, the Agency acts as a pass-through for appropriations that are to provide funding for the exclusive use of another organization. Funding for the East-West Center is provided in a separate appropriation, as was funding for the Endowment itself prior to 1985. It is appropriate that we return to this convention, and that a separate appropriation be reestablished in 1986.

QUESTION:

Mr. Wick, how can we take the Administration seriously about deficit reduction in view of this request for $31,300,000?

ANSWER:

It is unfortunate that the National Endowment for Democracy got started during this period of budgetary stringency. However, it is important to remember that the $31,300,000 which the Endowment is requesting in fiscal year 1986 is the same amount that was envisioned as an appropriate funding level for its first year. It is the amount which Congress authorized for 1984. The fact that the current Administration request for the Endowment is restricted to the authorized level for 1984 indicates a serious commitment to budgetary restraint.

Many of the Endowment's programs during this past start-up period were of an exploratory nature. For example, a visit by an Asian expert to six Asian countries produced 22 potential projects; exploratory projects have been approved for youth education in the Eastern Caribbean, journalist training in Africa, democratic participation among women in Uruguay, etc. To freeze the Endowment at this point would cripple these initial efforts to get programs underway and would disillusion many foreign groups who have high hopes for the Endowment.

In only one year, the Endowment has received approximately 200 proposals totaling more than $50 million in requests for assistance. As potential recipients become more aware of the Endowment's program guidelines and priorities, it is clear that the number of high quality proposals will continue to far outstrip available resources.

It is our belief that the Endowment request for fiscal year 1986 is a reasonable request, responsive to the need for budgetary restraint.

QUESTION:

On page 4-5 of the justifications, the statement is made that USIA "acts as a pass-through" of the funds for NED. Just what are USIA responsibilities, because if you're not watching NED, who is?

ANSWER:

The relationship between USIA and NED is that of a grantor and grantee. We, of course, take a keen interest in NED's activities but we are also careful not to engage in any activity which would violate their status as a member of the private sector since that was the intent of the legislation that created NED.

Regarding the issue of oversight, it has been USIA's position, since signing the initial grant with NED, that our oversight responsibilities are essentially the same as any other Federal grantor to a grantee. That is, we have both a right and a responsibility to ensure that Federal grant monies are spent according to law and the terms of the grant and that we may require certain conditions of NED, such as our right of audit, in carrying out this responsibility. NED has disagreed with our position and has argued that under the legislation creating the Endowment, Congress and the GAO -- not USIA -- have oversight responsibilities. We have requested an opinion from the GAO on this issue but no response has yet been received.

QUESTION:

Are we assured that the Institutes established by the Republican and Democratic parties received no funding from the $18,500,000 appropriated for fiscal year 1985?

ANSWER:

None of the $18,500,000 appropriated for the Endowment in fiscal year 1985 was granted to either party Institute.

The Endowment's Board of Directors has honored the Congressional prohibition. For your information, attached is a list of all programs funded with fiscal 1985 funds to date.

National Endowment for Democracy
Fiscal Year 1985
Grants Awarded
October 1, 1984 - March 31, 1985

The National Endowment for Democracy is a nonpartisan private non profit corporation established in 1983 to promote the development of democratic values and institutions around the world.

In accordance with the program priorities set forth in both the Endowment's articles of incorporation and in the National Endowment for Democracy Act (PL98-164), in fiscal year 1985, the Board of Directors maintained its commitment to provide major support for activities in support of free trade unions and business organizations.

In the first half of the fiscal year, the National Endowment for Democracy awarded grants totalling $14,079,679 to 13 private sector organizations.

For the work of business and labor, in the first half of fiscal year 1985 the Endowment has made the following grants:

> The Free Trade Union Institute, $11,560,788 to continue the broad range of programs for the development of free and independent democratic trade unions which were begun with the support which the Institute received from the Endowment in fiscal year 1984. Among the programs which the Institute plans to enhance in 1985 are union-building efforts in Central America, Chile, the Philippines, Poland and South Africa.

The National Chamber Foundation, $1,438,326 for the work of the Center for International Private Enterprise (CIPE). As in fiscal year 1984, CIPE programs receiving Endowment support include programs in business and economic education, management and technical assistance, research and support grants to strengthen private voluntary business institutions. The countries which the Center plans to initiate programs in 1985 include Costa Rica, Spain and Zimbabwe.

The following organizations also received grants from the Endowment in the first half of fiscal year 1985:

The American Friends of Afghanistan, $180,845, for a pilot project to provide educational opportunities for Afghans living in areas controlled by the Afghan Resistance. The program will provide textbooks, train teachers, establish literacy centers and an educational clearinghouse, all with the aim of promoting democratic principles and values among the Afghan people.

The Association for Education in Journalism and Mass Communication, (AEJMC), $25,000, for an exploratory program to assess the potential role of regional bodies in providing training, information and other resources to African journalism educators. The survey will include a review of possibilities for coordination between the two major existing African associations of journalist educators and of other agencies currently providing similar assistance.

Caribbean/Central American Action,(CCAA), $15,700, to design an education-for-democracy program for youth in the Eastern Caribbean. The study will build on a proposal from Prime Minister Eugenia Charles of Dominica, where initial implementation is anticipated.

Caribbean/Central American Action, (CCAA), $211,250, to administer two projects to be conducted by the Centro de Estudios Politicos in Guatemala City, Guatemala. The Center will organize and execute a get-out-the-vote promotional campaign and a series of pre-electoral public opinion polls in conjunction with the Guatemalan elections which are scheduled for July 1985. This proposal has been endorsed by all major political parties participating in the elections.

Jamaica-World Relief, $106,940, to provide planning assistance for the International Conference of Youth and World Youth Festival of Arts to be held in Jamaica in April 1985 to celebrate the United Nation's International Youth Year. The grant will be used by the Secretariat of the conference to insure broadly representative participation by democratic youth leaders worldwide.

The National Council of Negro Women, Inc., (NCNW), $155,830, for a one year project to train women leaders in Guinea, Botswana, Swaziland, and Lesotho in democratic principles, organization building, constituency outreach, private sector development and making women's concerns known to government. NCNW will work with existing major national women's organizations in each country through a series of workshops and seminars with the aim of strengthening these private voluntary organizations.

The Overseas Education Fund, (OEF), $25,000 to work with Uruguayan women to design a program to increase their contribution to national economic efforts and the consolidation of democracy. OEF will draw on its past experience with similar programs in other countries

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The Phelps-Stokes Fund, $10,000 to convene a series of three day-long meetings of African professionals. The purpose of the meetings is to discuss the ways in which programs for the revitalization of African non-governmental organizations might contribute to the strengthening of pluralistic values.

PRODEMCA, (Friends of the Democratic Center in Central America), a non-profit educational organization committed to the promotion of democracy and human rights in Central America, to administer a grant of $100,000 for the support of La Prensa, the only major independent newspaper in Nicaragua. The grant will be used to purchase desperately needed essential printing supplies without which the paper would be forced to stop publication.

PRODEMCA, $200,000 for support of the Nicaraguan Center for Democratic Studies which is being established by the Coordinadora Democratica, a broadly based alliance of democratic political, civic and economic groups in Nicaragua, and the Nicaraguan Permanent Commission on Human Rights. The center proposes to establish discussion groups on democratic ideas and the potential for their application in Nicaragua, to open a library, produce a series of publications, sponsor conferences and train Nicaraguans in the skills needed to sustain an independent democratic presence in Nicaraguan life.

Time and We and Problems of Eastern Europe, two Russian-language journals published by emigre scholars and writers for Soviet and East European readers, $25,000 each. These funds will enable the editors to put their publications on a more secure financial footing by providing funds for publishing costs. Both journals include articles on politics and history which cannot be published in the Soviet Union or Eastern Europe. They also publish books and articles by Russian and Western writers on a wide variety of subjects including philosophy, culture, and economics.

QUESTION:

We understand that the Institutes established by the two parties carried over funds granted before October 1, 1984.

-- What are their operating levels in fiscal 1984 and how much of that is federal funding and from what sources?

-- What are the two party Institutes doing in fiscal 1985 besides waiting for money from NED in 1986?

-- How much is requested in fiscal 1986 for the Institutes established by the parties?

ANSWER:

In fiscal year 1984 the National Democratic Institute for International Affairs expended $252,921 and the National Republican Institute for International Affairs expended $179,269. In each case, the Endowment was the source of all federal funds to the party Institutes. It is important to note that the overwhelming majority of program funds (about 85 percent) was obligated by the Board only at the end of the 1984 fiscal year.

This was a start-up period. Before funding proposals from any grantees, the Endowment Board devoted considerable time and effort to laying a solid operating foundation. Thus, the grant agreement between the Endowment and USIA releasing funds was signed in mid-March 1984; after a lengthy selection process, the permanent president assumed his position on May 1, 1984; grant guidelines and selection criteria were adopted by the Board in June 1984, and at the same time the Board reviewed specific program goals and priorities. Only then did the Board approve significant program proposals, which explains the fact that about 85 percent of these program funds were obligated at the August and September 1984 Board meetings. Programs approved and begun near the end of one fiscal cycle will, of necessity, be carried out as the next fiscal cycle begins.

During their first year of operations, the Democratic and Republican Institutes for International Affairs have not only accomplished a whole series of essential start-up administrative and organizational tasks, but have developed and undertaken an initial set of programs designed to strengthen democratic institutions abroad.

In November 1984 the Democratic Institute hosted representatives from 18 diverse multi-party nations here in Washington, establishing ties with a number of party representatives and resulting in a constructive discussion of the kinds of programs and assistance NDI could offer in the field of democratic development. In another project, the Democratic Institute has been asked by the major parties of Brazil to assist the federal legislature in its efforts to improve the budget process for Brazil's national Congress.

Among its many programs, the National Republican Institute encouraged broad participation in the recent elections in Grenada through nonpartisan programs to strengthen commitment to and participation in the democratic process. It has also assisted in the conduct of a comprehensive nonpartisan opinion poll in Guatemala which will provide a basis for a more effective voter education program.

In a unique cooperative effort, the two U.S. party Institutes joined with the political foundations of the two major Venezuelan political parties to explore means of collaboration in democratic institution-building abroad. The Venezuelan party Institutes are renowned on the South American continent for their work in democratic development and their desire to work together with their U.S. conterparts is one very significant indication of the importance which others in the world attach to U.S. efforts in this area.

The request that the Administration submitted to Congress expresses a strong endorsement for the party Institutes. It does not, however, include any appeal for a specified amount of funding. The Endowment, and the party Institutes, simply ask that the party Institutes be as eligible to apply for a NED grant as any other American private sector organization.

1986 PROGRAM ENHANCEMENTS

QUESTION:

Pages 2-3 thru 2-5 of the justification list 12 program enhancements amounting to $61,432,175. Are those enhancements in priority order; i.e., is the expansion of the Central American Initiative your highest priority, and the National Endowment for Democracy your second, etc.?

If no, just what is the relative priority of the 12 items, from highest to lowest?

ANSWER:

These items are not in priority order. The Agency's priority listing of its proposed 1986 enhancements follows. This listing ranks all Agency enhancements except that for the National Endowment for Democracy. These total $132.4 million instead of the $61.4 million that you mention.

United States Information Agency
Analysis of Change, 1985 Appropriation to 1986 Request
($ in thousands)

In presenting its 1986 budget, the U.S. Information Agency has identified: (a) the resources required in 1986 to continue the 1985 program in 1986, and (b) the added resources required to continue the modernization of the Voice of America, to upgrade other Agency capabilities, and to meet several new needs.

The Agency's FY 1986 base requirements are shown in the following table (in thousands). Adjustments to the FY 1985 appropriated amounts include overseas wage and cost increases, the 1985 rescission of administrative savings and internal shifts to combine the salaries and expenses appropriations and to reestablish a separate National Endowment for Democracy account in 1986. The proposed 5% reduction in Federal pay is shown separately.

a. Derivation of 1986 Base	1985 Appropriations P.L. 98-411	Internal Adj. and Built-in Changes	Federal Pay Reduction	Base for 1986
Salaries and Expenses (S&E).................	$545,856	$19,618	$-8,404	$557,070
Special Foreign Currency (SFC)..............	8,000	-8,000	--	--
Educational & Cultural Exchanges (EX).......	130,000	7,688	--	137,688
Radio Construction (RC).....................	85,000	--	--	85,000
Radio Marti Program (RM)....................	8,500	2,931	-229	11,202
East-West Center (EW).......................	19,000	--	--	19,000
National Endowment for Democracy (NED).....	--	19,300	--	19,300
Total...............................	796,356	41,537	-8,633	829,260

The items below represent a priority listing of USIA's requested increases for continued VOA modernization and program changes for 1986. This listing represents our current evaluation of the relative importance of our proposed increases, and the priorities are subject to revision. The Agency has a responsibility to reevaluate and adjust the relative importance of its programs in light of the constantly-changing world situation, technological developments and the likely impact of USIA's efforts in a given area or situation.

	Per Item	Total Cumulative
a. Base for 1986...	$ --	$829,260
b. VOA Modernization and Program Changes (appropriations identified in parentheses):		
1. VOA modernization I: Central America, Botswana, Greece, Middle East, Far East stations (RC)...................	25,173	854,433
2. TV WORLDNET and facilities (S&E)..................	3,321	857,754
3. Overseas mission staffing, RIAS-FM, Wuhan, PRC, sports program, and PRC cultural program (S&E)..	2,759	860,513
4. Enhance VOA program operations (S&E)..............	2,356	862,869
5. VOA modernization II: Europe stations, new studios, and part of transmitters/antennas modernization (RC)........	25,785	888,654
6. Book initiative and E Bureau support (S&E)........	3,246	891,900
7. Central American Initiative I: Exchanges ($5,504, EX); books ($1,000, S&E)......	6,504	898,404
8. Traditional exchange enhancement I: Increase teacher exchanges, U.S. graduate students, HHH, linkages (EX)....................	5,139	903,543

		Per Item	Total Cumulative
9.	East European exhibits and research and support (S&E)	$ 2,102	$ 905,645
10.	RIAS-TV (S&E)	8,000	913,645
11.	Central American Initiative II: Exchanges ($3,855, EX); books ($1,000, S&E)	4,855	918,500
12.	VOA modernization III: Part of transmitters/antennas modernization (RC)	16,000	934,500
13.	Traditional exchange enhancement II ($1,761, EX) and youth exchange ($700, S&E)	2,461	936,961
14.	VOA modernization IV: Part of transmitters/antennas modernization (RC)	15,989	952,950
15.	Central American Initiative III: Exchanges (EX)	5,189	958,139
16.	Brisbane Expo (S&E)	3,500	961,639
	Total Enhancements	132,379	
	Grand Total		961,639*

*This table excludes the proposed $12.0 million increase in the grant to the National Endowment for Democracy. The funding level for this independent, non-profit corporation was previously set in P.L. 98-164 and USIA essentially serves only to process and monitor the grant. With this item included, USIA's FY 1986 enhancements total $144,379,000 and the overall request totals $973,639,000.

REPRESENTATION

QUESTION:

Why is it that the Department of State is requesting just a 4.4% increase for representation, while USIA wants an 8.9% increase?

ANSWER:

A total of $702,000 is requested for the basic representation allowance for 1986, an increase of $63,000 over the amount available for the current year. This increase is requested to offset projected 1986 price increases, which we forecast to be approximately 9 percent. In FY 1984, the Agency reimbursed $588,060 for overseas representation, but our officers paid an additional $78,843 out of their own personal funds. The increase in the allowance approved in 1985 will reduce this burden and enable Agency personnel to broaden their contact with influential leaders and groups abroad. The increase of $63,000 requested to offset inflationary increases is necessary to sustain this improvement. Representation expenses cover costs incurred by USIA officers overseas in establishing and maintaining effective relationships with officials, journalists, academics, and other influential leaders in their host country. Reimbursement for this type of expense is made on the basis of a detailed voucher submitted by the officer after a representational event has occurred.

While we are not familiar with the Department of State's representation request, we do understand from their budget justification that the 4.4% increase will only partially offset increasing prices overseas.

NEW ZEALAND

QUESTION:

On March 14, USIA submitted a reprogramming that includes the establishment of a new branch post in Christchurch, New Zealand. In view of our current diplomatic problems with the government of New Zealand, do you still plan to move ahead with that new post?

ANSWER:

The American ambassador in New Zealand asked USIA to open a new branch post in Christchurch after the Labour Government came into office in July, 1984. USIA responded favorably to the ambassador's request, endorsing his view that the post could broaden understanding in New Zealand of implications of the rejection of US Navy port visits and that it could improve the climate of relations between the two countries. Christchurch was seen as a particularly appropriate location for the post because it is a major university center, it is the home of some of New Zealand's most influential newspapers, and it is the staging point for the US Navy's Operation Deep Freeze project. Thus, it is a likely focus for any anti-American activity. In view of our current difficulties with New Zealand, the need for the Christchurch branch persists. We plan to move ahead.

MARTIN LUTHER KING, JR. CENTER

QUESTION:

Last year the Committee noted in our report that "the Martin Luther King, Jr. Center for Nonviolent Social Change, Inc. in Atlanta, Georgia, is an appropriate major instrument for educational and cultural exchange programs." I am aware of the Center's interest in obtaining some financial assistance to develop a suitable program.

What is the current status of the Center's application to USIA?

ANSWER:

Contacts with the Center, including visits by Agency staff and the discussion of preliminary proposals, have been underway since the publication of the Committee's report. On March 25, the Agency received a formal proposal from the Center. The Agency is currently reviewing the proposal.

QUESTION SUBMITTED BY SENATOR DANIEL K. INOUYE

QUESTION:

We are currently celebrating the 25th Anniversary of the founding of the East-West Center in Hawaii. The USIA has been extremely supportive of the Center, its personnel, and its mission in facilitating cross-cultural communication between East and West. I would appreciate your thoughts therefore on how the USIA plans to pursue its active commitment to cultural exchanges and the role played by the East-West Center in linking people and institutions of the Pacific over the next four years. What strategy does your agency have to use the programs offered by the center and enhance its resources? Can you identify any specific areas in which the Congress can assist the USIA to accomplish its goals vis-a-vis the East-West Center?

ANSWER:

The U.S. Information Agency regards its role vis-a-vis the East-West Center as that of a facilitator, assisting the Center as appropriate in achieving its goal of promoting mutual understanding between the United States and the nations of Asia and the Pacific.

USIA will continue its support of the East-West Center and enthusiastically endorses the Center's requests for Congressional appropriations within the Administration's guidelines. The Agency also will continue to encourage and aid the Center in its efforts to raise funds from other governments and the private sector. USIS posts abroad support the Center's requests for Asian government contributions, a long-time concern of the Congress.

The Agency cooperates with the Center on projects of mutual interest. For example, the Agency has awarded the Center contracts of approximately $60,000 each for the past two years to conduct a faculty training program for three universities in the South Pacific. We also are co-sponsoring with the Center (and others) a conference on access and collaboration for social science researchers in Southeast Asia to be held later this year at the Center. And, as a third example, the Agency is making available to the Center its WORLDNET facilities to link Center alumni throughout Asia with those participating in the alumni conference during the 25th anniversary celebration this coming June. We anticipate other Center projects will also be able to make use of our WORLDNET facilities.

USIS posts will continue to assist Center staff traveling abroad through briefings, appointments, publicity, facilitative assistance for meetings, etc., as well as supporting the Center's request for Asian government contributions.

The Agency appreciates the strong support of the Congress for the East-West Center. Our only request for additional assistance would be in finding ways to make the Center's accomplishments more widely known among members of Congress and key staff. The Center is, in addition to being an exchange program for international understanding, a national resource whose research is becoming better known to and increasingly utilized by U.S. Government agencies as well as by Asian governments.

SUBCOMMITTEE RECESS

Senator LAXALT. The committee will stand in recess until tomorrow when we will review the request of the National Oceanic and Atmospheric Administration, Small Business Administration, and the Marine Mammal Commission. Thank you.

[Whereupon, at 12:08 p.m., Wednesday, April 3, the subcommittee was recessed, to reconvene at 9:30 a.m., Thursday, April 4, 1985.]

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1986

THURSDAY, APRIL 4, 1985

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:25 a.m., in room S–146, the Capitol, Hon. Lowell Weicker presiding.

Present: Senators Weicker, Hollings, and Bumpers.

DEPARTMENT OF COMMERCE

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

STATEMENT OF ANTHONY J. CALIO, DEPUTY ADMINISTRATOR, NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

ACCOMPANIED BY:

- JAMES W. WINCHESTER, ASSOCIATE ADMINISTRATOR
- JOHN J. CAREY, DIRECTOR, OFFICE OF BUDGET AND FINANCE
- JAMES SMITH, BUDGET OFFICER
- NANCY A. RICHARDS, DEPARTMENT OF COMMERCE, DIRECTOR, OFFICE OF BUDGET
- RICHARD HALLGREN, ASSISTANT ADMINISTRATOR, NATIONAL WEATHER SERVICE
- WILLIAM GORDON, ASSISTANT ADMINISTRATOR, NATIONAL FISHERIES SERVICE
- PAUL WOLFF, ASSISTANT ADMINISTRATOR, NATIONAL OCEAN SERVICE
- ALAN THOMAS, DEPUTY ASSISTANT ADMINISTRATOR, OFFICE OF OCEANIC AND ATMOSPHERIC RESEARCH
- JOHN McELROY, ASSISTANT ADMINISTRATOR, NATIONAL ENVIRONMENTAL SATELLITE, DATA, AND INFORMATION SERVICES

BUDGET FOR OCEANS POLICY

Senator WEICKER. The committee will come to order. Our first witness is Mr. Anthony Calio, Deputy Administrator of the National Oceanic and Atmospheric Administration. I look forward to your remarks. I can assure you that you will have a great deal of congressional support in affirming the Federal commitment to an informed and enlightened oceans policy, and to an effective oceans agency. You will also have a difficult job.

ADMINISTRATION BUDGET

As I look over the proposed reductions for 1986, I am struck, as I have been in past years, by a budget that is shortsighted and insensitive to marine conservation and management needs. Once again, Congress is faced with an administration budget that fails to recognize the importance of the oceans.

The administration's largest NOAA cut would decrease oceans and coastal resource management programs by 55 percent. The same budget then cuts marine fishery resource programs by 45 percent. Congressionally mandated restorations and enhancements made in fiscal year 1985 have been eliminated for 1986. All this in spite of the fact that we have a fisheries trade deficit of $4.9 billion, the largest exclusive economic zone of any nation on Earth, and the responsibility to intelligently use and manage our aquatic resources. How can NOAA, with such severe decreases year after year, keep pace with programmatic needs and rising costs?

BUDGET FREEZE

The possibility of a budget freeze this year poses difficult choices for both the subcommittee and the administration. The administration has requested $94 million in increases for NOAA while proposing $183 million in decreases. Because most of these decreases are in programs that have been restored repeatedly by Congress, I expect that in large part, they will be restored again this year. I, frankly, do not see why Congress should include funding for new initiatives totaling $94 million if it requires cutting programs which have consistently been supported by myself and other members of the subcommittee.

If we are going to have a freeze, then we will have a freeze. To me that suggests continuing last year's program funding levels, not the wholesale elimination and cutting of programs to fund new initiatives.

I would hope that when the subcommittee begins to mark up the NOAA budget it will be using the fiscal year 1985 program appropriations as the starting point.

BENEFITS FROM OCEAN PROGRAMS

It is important to note that there are "payoffs" from our small investments in oceans programs. Both the Sea Grant and CZM Programs have been essential in stimulating activities that have resulted in substantial economic benefits to the Nation. Both have promoted a more efficient use of our coastal and marine resources.

UNDERSEA RESEARCH PROGRAM

The Undersea Research Program has provided us with critical data on habitat protection, pollution control, fisheries development, and saturation diving techniques. It is used by the Department of Defense, the National Science Foundation, the Department of the Interior, and the Environmental Protection Agency. What is the administration's request for these important programs? Zero.

Through a combination of proposed budget terminations and rescission requests in programs such as Sea Grant, Coastal Zone Management, and Undersea Research, NOAA has frustrated Congress' intent to develop a broad State/Federal system to facilitate wise management and conservation of our aquatic resources.

There is a long list of other programs the administration considers unworthy of funding: Habitat protection, marine mammal and endangered species programs, public warning and forecast services, and fisheries conservation and management programs. To top it off, the budget request calls for deactivation of over half the NOAA fleet. The list of reductions and eliminations is a long one and one that I cannot entirely support.

Those of us who are committed to sound ocean and coastal policies must make clear that dollars spent for research and management of aquatic areas are dollars invested in our future. The ocean may well be the Nation's largest underutilized resource. Curtailing these programs now may provide financial benefits in the short run, but in the long run, we may lose a great deal more than money. We must support the research, conservation, and development of our oceans by utilizing NOAA's expertise as the Nation's primary oceans agency.

INTRODUCTION OF ASSOCIATES

Senator WEICKER. Dr. Calio, why don't you introduce those who are with you and then proceed with your statement, which hopefully will be brief to the extent I want to have a back and forth with you in an attempt to find out your reasoning, not in any way to press my point of view. Let's discuss these matters as a matter of public record.

Mr. CALIO. Thank you. To my right is John Carey, head of our Budget and Finance Office; and to my left is Jim Smith from the Budget and Finance Office. We also have the Assistant Administrators from NOAA: Bill Gordon from Fisheries; Dick Hallgren, Weather Service; Paul Wolff, Ocean Service; Alan Thomas, Oceanic and Atmospheric Research; and John McElroy from the Satellite Program.

PREPARED STATEMENT

With your permission, I would like to submit my written statement for the record.

Senator WEICKER. It will be admitted in its entirety.

[The statement follows:]

PREPARED STATEMENT OF ANTHONY J. CALIO
DEPUTY ADMINISTRATOR
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I AM PLEASED TO APPEAR BEFORE YOU TODAY IN SUPPORT OF THE PRESIDENT'S FY 1986 BUDGET REQUEST FOR THE NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA).

OUR TOTAL BUDGET APPROPRIATION REQUEST FOR FY 1986 IS $977.3 MILLION, WHICH INCLUDES THE TRANSFER OF $28.0 MILLION FROM THE AIRPORT AND AIRWAY TRUST FUND TO FUND THE AVIATION WEATHER PROGRAM; AND $105.9 MILLION IN FINANCING FROM OTHER SOURCES. THE FUNDING LEVELS PROPOSED IN THE BUDGET WILL ALLOW US TO MEET OUR RESPONSIBILITIES AND PROVIDE FOR:

- ESSENTIAL PUBLIC SERVICES FOR THE PROTECTION OF LIFE AND PROPERTY,
- MANAGEMENT OF OUR FISHERIES AND OCEAN RELATED RESOURCES,
- DISSEMINATION OF SCIENTIFIC DATA AND INFORMATION TO AID IN GOVERNMENTAL AND BUSINESS DECISIONS, AND
- ADVANCEMENT OF OUR UNDERSTANDING OF OCEANIC AND ATMOSPHERIC PROCESSES.

THE BUDGET WHICH WE ARE REQUESTING WILL ALLOW US TO FOCUS OUR EFFORTS ON THOSE ACTIVITIES WHICH REPRESENT TRUE FEDERAL RESPONSIBILITIES AND CONTINUE EFFORTS TO IMPROVE THE EFFECTIVENESS OF NOAA AS THE NATION'S SPOKESPERSON FOR OCEANIC AND ATMOSPHERIC ISSUES.

OUR FY 1986 BUDGET REQUEST INCLUDES $93.8 MILLION IN NEW FUNDING TO INITIATE A NUMBER OF VERY IMPORTANT ACTIONS, INCLUDING:

- $81.7 MILLION TO STABLIZE THE NATION'S GEOSTATIONARY SATELLITE SYSTEM FOR THE COMING DECADE, THROUGH AN EXPANDED PROCUREMENT TO ASSURE COVERAGE AND MONITORING OF HURRICANES AND SEVERE STORMS,
- $1.0 MILLION FOR A POLAR STUDY TO LOOK AT THE JOINT REQUIREMENTS OF CIVILIAN AND DEFENSE POLAR METEOROLOGICAL SATELLITES FOR THE 1990'S,
- $2.5 MILLION TO CONTINUE MODERNIZATION OF THE NATIONAL WEATHER SERVICE THROUGH THE DEVELOPMENT OF AN AUTOMATED SURFACE OBSERVING SYSTEM AND A NEW INTERACTIVE DATA AND COMMUNICATIONS SYSTEM TO AID FORECASTERS IN INTERPRETING CHANGING WEATHER CONDITIONS,
- $3.0 MILLION TO ACCELERATE OUR EFFORTS TO DEVELOP, DEPLOY, AND TEST A NETWORK OF WIND MEASURING PROFILERS AND ASSESS THEIR POTENTIAL APPLICATION TO IMPROVED WEATHER FORECASTING,
- $3.0 MILLION TO SUPPORT A FISHERIES OCEANOGRAPHY COORDINATED INVESTIGATIONS (FOCI) PROGRAM TO ENABLE US TO BETTER UNDERSTAND AND PREDICT FLUCTUATIONS IN MAJOR FISH STOCKS SUPPLIES,
- $1.3 MILLION TO BEGIN A NEEDED INSTRUMENT REPLACEMENT PROGRAM FOR OUR TIDE AND WATER LEVEL MEASUREMENT STATIONS, AND

- o $1.1 MILLION TO SUPPORT AN EXPANDED EFFORT TO MAP AND SURVEY THE RESOURCES OF THE UNITED STATES 200 MILE EXCLUSIVE ECONOMIC ZONE

ALL OF THESE EFFORTS ARE IMPORTANT TO OUR ABILITY TO CARRY OUT OUR MISSION AND I ASK THE COMMITTEE TO SUPPORT THESE REQUESTED INCREASES.

THERE ARE ALSO A NUMBER OF VERY IMPORTANT ONGOING RESEARCH EFFORTS WHICH I WOULD LIKE TO HIGHLIGHT. THESE ARE PROGRAMS THAT WE WILL CONTINUE TO PURSUE IN FY 1986 AS PART OF THE OVERALL FUNDING LEVEL PROPOSED IN THE BUDGET. OUR EFFORTS TO UNDERSTAND THE COMPLEX MECHANISMS BEHIND THE EL NINO PHENOMENON AND ITS IMPACT ON SEASONAL CLIMATIC VARIATIONS IS ONE VERY IMPORTANT EFFORT. THE ECONOMIC EFFECTS OF THE RECENT EL NINO HAVE BEEN SIGNIFICANT BOTH IN THE U.S. AND ABROAD. BEGINNING THIS YEAR WE WILL BE PUTTING IN PLACE AN EXTENSIVE OBSERVATION NETWORK OF SHIPS, BUOYS, AND TIDE GUAGES TO MONITOR CHANGES IN THE EQUATORIAL PACIFIC. THIS NETWORK SHOULD PROVIDE US WITH EARLY WARNINGS OF THE NEXT EL-NINO EVENT.

WE WILL ALSO CONTINUE OUR RESEARCH INTO THE GLOBAL WARMING' OR "GREENHOUSE" EFFECT AND EXPAND OUR INVESTIGATION OF CERTAIN TRACE GASES AND AEROSOLS SUCH AS METHANE. WE WILL ALSO MAINTAIN OUR WORK WITH EPA IN ACID RAIN RESEARCH AT THE 1985 APPROPRIATION LEVEL.

OUR NOAA LABORATORIES WILL CONTINUE A VARIETY OF RESEARCH PROJECTS NEEDED TO IMPROVE OUR ABILITY TO PREDICT HAZARDOUS MARINE CONDITIONS AND CHANGES IN MARINE ENVIRONMENTAL QUALITY. OVERALL, WE PLAN TO PURSUE AGGRESSIVE PROGRAMS IN BOTH THE ATMOSPHERIC AND OCEANIC SCIENCES, ESPECIALLY IN THE AREA OF AIR-SEA INTERACTION SO CRITICAL TO UNDERSTANDING GLOBAL PATTERNS OF ENVIRONMENTAL CHANGE.

As part of the overall funding level proposed in the budget, we intend to pursue a strong and responsive fisheries management program. The FY 1986 budget proposal will allow for the data gathering, analysis, and research necessary to support a sound system of fisheries management and continued efforts to strengthen our domestic fishing industry. By the end of FY 1986 we plan to have in place fishery management plans covering each of the major U.S. fisheries. In addition, we will continue to meet our mandated responsibilities for protected species management, habitat conservation, and enforcement.

In 1986 we are planning to spend $12.8 million to complete development and testing of two next generation weather radar (NEXRAD) prototypes and also undertake an evaluation of off-the-shelf radar systems. We remain committed to replacing the existing obsolete weather radars with an effective, modern system which will serve the Nation well into the next century.

The 1986 budget also reflects our belief that we can realize management efficiences in a number of areas without impacting our research efforts, or the level of our services. As a result our budget request contains a number of management and administrative actions which are proposed to control costs, which are in line with the President's goal of reducing the deficit and in compliance with the Deficit Reduction Act of 1984.

Further, we are proposing a series of programmatic changes which would produce savings of $182.9 million. Many of these have been proposed before. We continue to believe strongly that these proposals can and should be implemented. If we are to build a strong oceanic and atmospheric research and service program, we must concentrate on the highest priority Federal efforts and look to the States and the private sector to pick up functions that they should be doing.

Two examples of this are the Sea Grant program and the Coastal Zone Management state grant program. The National Sea Grant College program was established in 1966 with a goal of encouraging universities, industry and local government to solve regional marine resource problems and to develop opportunities for marine resource utilization. We believe that the original intent of the legislation has been met. The program has completed its goal and 20 institutions have established marine science programs.

The Coastal Zone Management Act (CZMA) of 1972 was enacted to encourage and assist the states in establishing programs to deal with increasing and competing demands for the use of the Nation's coastal areas. The program has accomplished its objective with 23 of the 30 eligible states and 5 territories covering 90% of the coast line having operational programs that are Federally approved. Therefore, grants to the states are no longer needed and are proposed for phase-out. The state programs have now established the infrastructure to manage coastal resources and the states should assume funding.

Reducing or eliminating programs is a difficult process, however, we are faced with a serious deficit and difficult choices must be made. We have made them in preparing this budget request. NOAA's FY 1986 budget maintains a good balance between strengthening those programs which are truly a Federal responsibility and those programs which should be financed by someone other than the general taxpayer.

NOAA has an opportunity to move forward. But if it is to do so, we must first institute efficiencies in the way we operate and provide for a sharper focus to our mission and responsibilities. That effort requires re-evaluating and

CHANGING SOME OF OUR PAST PROGRAMS AND ACTIVITIES AND INSTITUTING NEW APPROACHES TO THE DELIVERY OF OUR SERVICES AND CONDUCT OF SUPPORTING RESEARCH. THIS BUDGET REFLECTS THE RESULTS OF THAT PROCESS. I HOPE THAT I CAN WORK WITH THE COMMITTEE IN CHARTING A NEW DIRECTION FOR NOAA THAT WILL STRENGTHEN THE AGENCY.

I AM PREPARED TO ADDRESS ANY QUESTIONS WHICH YOU MIGHT HAVE CONCERNING OUR BUDGET PROPOSAL AND WE ARE ALSO PREPARED TO WORK WITH YOU AND YOUR STAFF IN REVIEWING INDIVIDUAL ITEMS IN THE BUDGET IN DETAIL.

THANK YOU.

STRONG BUDGET PROPOSAL

Mr. CALIO. The budget we are proposing is a strong one. Given the deficit figures facing the administration and Congress, we have no choice but to make difficult decisions to streamline and make more efficient our operations. However, I do not believe we sacrifice any of our mandates or essential responsibilities in the process. If anything, the budget submission translates into an efficient NOAA at a far more reasonable cost to the American taxpayer. With less than $1 billion, NOAA will continue to meet its responsibilities in every major area of activity and, moreover, we are requesting $94 million for new initiatives which you outlined in the area of geostationary satellites as well as programs in oceanic and atmospheric research.

MODERNIZATION OF NATIONAL WEATHER SERVICE

Included in these new initiatives is further modernization of the National Weather Service. We are also proposing program changes, significant changes and savings, without diminishing the quality of NOAA activity and services.

I can assure you these proposed changes reflect the best judgment on our part regarding those areas or activities where continued Federal involvement is no longer needed or justifiable on a large scale, particularly when given the need to reduce Federal spending levels.

I look forward to working with you and the committee as we work to the goal of strengthening the agency.

Mr. Chairman, I am prepared to answer any questions.

Senator WEICKER. Thank you very much. I want to make clear from the outset, I had a nice visit with Mr. Calio a week or so ago, and I want to make clear that my questioning, which is going to get a little on the tough side, is not directed at the individuals, yourself included, within NOAA. My argument, I think, goes a little higher than you. So I think these questions have to be asked, and I want to indicate that it is done so out of disagreement with general administration policy, not so much ascribing necessarily all the decisions to NOAA personnel.

FISCAL YEAR 1986 BUDGET

Mr. CALIO. Mr. Chairman, I appreciate that.

Senator WEICKER. While looking over NOAA's fiscal year 1986 budget request, I notice that, in spite of congressional intent, once again virtually all of last year's add-ons in oceans programs have been eliminated. Why does NOAA continue to ignore the direction Congress has provided over the past 4 years?

Mr. CALIO. We essentially tried, from the bottom up, to establish priorities and identify high-priority activities. We tried to maintain the basic services within the agency and, in looking at the activities from the bottom up, we have eliminated those which we thought were of lower priority.

We have tried to keep a balance within the program. It is a question of how you look at the budget, I guess, as to whether we have maintained that balance or not. If you shift around some of the line items, for example, if you take out satellite systems, because they serve both the atmosphere and the oceans, and put the ships up in the oceans program, you end up with about a 50–50 split between oceans and the atmosphere in the fiscal year 1985 budget.

The same ocean programs in this year's proposal would be around 44 to 45 percent of the total. Now, once you eliminate coastal zone management, and we can discuss that separately, it comes down to about 40 percent. When you eliminate the Sea Grant Program, it comes down to 37 to 38 percent in ocean programs.

We have tried to keep that balance. Two major programs really make that balance, and I think there are separate arguments for both coastal zone management and the Sea Grant Programs.

Senator WEICKER. In 1984, other agencies, such as NSF, EPA and the Departments of Defense, Interior and Energy provided funding for NOAA projects. However, in this budget request NOAA's R&D funding is being cut by 19 percent, while EPA and the National Science Foundation's R&D budgets are being enhanced by 7 percent and 5 percent, respectively. This indicates that while NOAA programs, such as NURP, are proposed for elimination, research on the same projects is being supported in other agencies.

Can you explain this discrepancy, especially in light of the fact that in some cases, NOAA shares programmatic responsibilities with EPA and NSF?

RESEARCH AND DEVELOPMENT PROGRAMS

Mr. CALIO. Essentially, as far as research and development is concerned, we ended up looking at three elements of the budget. We eliminated grants and grant activities. Once you do that—Sea Grant, Saltonstall-Kennedy, and fish grants—that is about half of the reductions, 40 of the $85 million. With respect to NURP, we take the position that it is a regional activity; that it should be supported regionally and we eliminated that.

Finally, there are lower priority programs—such as fisheries information activities—at about $15 million. That is how the whole budget was built—looking at those three priority elements—grants, regional activities and lower priority research and development efforts.

Senator WEICKER. As you know, the undersea habitat, Aegir, is in the process of being refurbished for use as a replacement for Hydrolab in St. Croix. The new system has greater depth capability, can be moved to different research sites and can accommodate more divers than Hydrolab. If the Undersea Research program is terminated, there will be no funds in fiscal year 1986 for Aegir.

Can you give me a status report as to where we stand on that? Have the bids gone out on the refurbishing? Where do we stand on that?

Mr. CALIO. Let me just check.

Senator WEICKER. I thought 2 weeks ago this past Monday they were supposed to have received it. Do you have those? I will have to get the answer to that.

Mr. CALIO. We will answer for the record.

Senator WEICKER. Under the President's Caribbean Basin Initiative, the Virgin Islands were designated as a center for education and research. Don't you believe the Aegir could play an important role in this effort?

Mr. CALIO. Can it?

Senator WEICKER. Yes.

CARIBBEAN INITIATIVE

Mr. CALIO. I am not aware of that. The Caribbean Initiative, as we understand it, is primarily a social and economic initiative, not a scientific or educational one. Granted, there is a relationship between those two. We had a golden opportunity. We asked how could the Aegir system be useful to the Caribbean Initiative. We never received from the people involved with Aegir or that program a specific proposal on what would be a useful contribution of Aegir in the Caribbean Initiative. We got a piece of paper that really wouldn't sell the whole notion of Aegir's contribution to the Caribbean Initiative.

Senator WEICKER. The Caribbean Initiative, you indicated, is supposed to be what?

Mr. CALIO. Social and economic.

Senator WEICKER. There is not a scientific element in the economic advancement——

Mr. CALIO [interposing]. There is a linkage as far as what contributes to economic growth in the Caribbean. The major efforts were more in social and economic programs, as opposed to a scientific research program.

FISHERIES POTENTIAL IN CARIBBEAN

Senator WEICKER. But I don't understand. To me one of the greatest resources of the Caribbean is the potential of its fisheries.

Mr. CALIO. I don't know of any fisheries activities included in that initiative.

Senator WEICKER. You have the Hydrolab.

Mr. CALIO. In the confines of what is defined as the Caribbean Initiative, I don't know of any fishery activities associated with that.

Senator WEICKER. They are not?

Mr. CALIO. I don't believe so.

Senator WEICKER. And that is supposed to be an economic advancement program for the Caribbean?

Mr. CALIO. To the best of my knowledge, there is no fishery activity in there.

Senator WEICKER. What is "economic" defined as?

Mr. CALIO. I don't know the——

Senator WEICKER [interposing]. As I understand it, the idea is to get that part of the world able to stand up on its feet.

Mr. CALIO. I think they are looking at industries and cultural activities.

Senator WEICKER. How can you tell me—it is specified as to what economic includes?

Mr. GORDON. There is not a single fishery activity. We made several efforts to ask for fishery information. At this particular time, it is not under consideration.

Senator WEICKER. I don't understand this. Who is "they"?

Mr. CALIO. The program people in the Caribbean Initiative Office.

Senator WEICKER. Whose egis is that under? Who are you talking to?

Mr. CALIO. Commerce and Department of State.

Senator WEICKER. This is supposed to be economic advancement for the Caribbean.

Mr. CALIO. Right.

Senator WEICKER. And they don't want to talk fisheries.

Mr. CALIO. That is correct.

Senator WEICKER. Have you ever heard anything so ridiculous in your life? I can't believe it. I can't believe it.

Mr. CALIO. We have made proposals.

Senator WEICKER. That is like somebody saying we have an economic program for Texas but we are not going to talk about cattle. I really don't understand that.

Senator HOLLINGS. You see all the South Carolina fishermen going down to the Caribbean and the Gulf. They are coming back for the summer. They have been down there. That is the biggest industry down there. That is only one of the few things keeping them going.

Senator WEICKER. I will tell you, I am not going to sit here and argue with you fellows. You told me there is no fishing increment to the economic program, so I will take your word for that. But I want the names of the individuals that are giving you this response, and then point number two, if there is a fishing increment in the economic plan, do you think maybe something like Aegir would be a valuable program?

Mr. CALIO. Yes. The reason I hesitate on that is I come back again, based on your initiative, we are going to take a look at that, and we are trying to get a plan of action from our people. I would assume, yes; the answer to your question is yes. I will work on it, all right?

[The information follows:]

FISHERIES PROGRAM IN CARIBBEAN BASIN INITIATIVE

The Caribbean Basin Information Center, which reports to the Director General of the United States and Foreign Commercial Services in the International Trade Administration of the U.S. Department of Commerce, is responsible for governmentwide coordination of the Caribbean Basin Initiative [CBI]. Funding for fisheries-related components of the initiative can be obtained from the Bureau for Latin America and the Caribbean of the Department of State's Agency for International Development [AID]. Until recently, AID's support has been oriented toward agricultural, rather than fisheries projects in the Caribbean Basin.

On April 15, 1985, following the Senate Appropriations Committee hearing, NOAA/National Marine Fisheries Service staff briefed Senator Weicker's staff on our current activities in the Caribbean Basin in support of the CBI.

UNDERWATER RESEARCH PROGRAM

Senator WEICKER. Let me put it this way: I will continue to try to advance the underwater research program. It is on a shoestring now. It ought to be in the billions; it is not a question of a couple of millions. I may not get my billions. I will say one thing, I am not going to see this program eliminated. To me it is some of the most valuable work NOAA does. In terms of giving us a knowledge of the oceans and, more particularly, in giving us the knowledge of the fisheries in that part of the world, therefore, potential enormous significance to the Caribbean nations, it is an invaluable program.

When we start off with this kind of response, how do you argue? How do you argue against the absolute total absurdity of somebody saying economic development for the advancement of the Caribbean does not include fisheries? That just blows my mind.

FISHERIES PROGRAMS

Senator HOLLINGS. I wonder if at that point, Mr. Chairman, if they believe in fisheries?

Mr. CALIO. Absolutely, sir.

Senator HOLLINGS. Why are you cutting the laboratories? You are cutting one in North Carolina.

Mr. CALIO. There is still a major base effort left.

Senator HOLLINGS. I don't think it is a major effort when you cut it a third. I don't think you believe in fisheries.

Mr. CALIO. No, sir; I do believe in fisheries.

Senator HOLLINGS. Well, when the National Fisheries Institute testified, for example, with respect to eliminating $28 million in the entire program, would result in closing five of the 22 major fishery laboratories and in Milford, Sandy Hook, Beaufort, North Carolina, Portland and Auke Bay, AK. They believe that the others "would receive only token funding to keep them technically 'open.'"

That is what will happen; they will be technically open but not functioning.

Mr. CALIO. There is still a reasonable amount of research being done. In the South Carolina area, in that whole arena, there is still $2.8 million left in the budget for doing product quality and safety and product identification and labor.

Senator HOLLINGS. Again the National Fisheries Institute said, and I quote them, "Only a handful of fishery laboratories would be able to conduct any real research under the proposed NOAA budget."

Do you agree with that or not?

Mr. CALIO. That is a reasonable statement; yes.

Senator HOLLINGS. Thank you, Mr. Chairman.

OCEAN PROGRAMS

Senator WEICKER. To follow up as to what is happening, take a look at the figures. During the course of this administration, oceans programs have gone down 43 percent; non-oceans up 66 percent. Unless these fish are flying around in the air, I think it is safe to say the fisheries activities, vis-a-vis NOAA, have been on a steep decline.

Senator HOLLINGS. And over in the Commerce Committee we have a program request from this administration—that is what I had to leave in order to come here—for a space station. We can launch an $8 billion program for space, but you can't fund enough just to continue vital and necessary research in the oceans and fisheries. Meanwhile, down in the Caribbean, they never heard of it.

Senator WEICKER. You know what I am fighting for now, our space station in the oceans is the Hydrolab, the proposed Aegir. Thanks to the dedication of an awful lot of people, it is running around roughly $1 to $2 million and these guys want to eliminate that, and they want $8 billion up there, and I can't get $2 million for the one in the oceans.

Senator HOLLINGS. They are asking for an $8 billion increase—talk about cuts in spending—and then I come here they are decimating——

Mr. CALIO [interposing]. There is approximately $29 million in research on fishery resources in the entire program. It is roughly $13 million for research surveys; $6.3 million for habitat ecology; $6 million for fisheries biology; about $3 million for protected species—there is money in the budget to take care of those resources.

NOAA AND OCEAN RESEARCH

Senator WEICKER. I am going to say something, and I can say it because my colleague is here. When nobody else cared, not because of antagonism but because of a lack of knowledge, when nobody else cared, Senator Hollings and I built NOAA into one of the premier agencies in the world insofar as its underwater research capabilities are concerned and atmospheric research when nobody cared. We used the minority and the majority. We used the power we had to go ahead and make sure that something nobody understood, not that they were against it, that nobody understood would continue to grow and achieve that preeminence, and I am not going to see that cut to ribbons, and that is exactly what has been going on here.

Enough is enough, but this agency—everybody is off saying, oh, we saved a few million dollars this year. You know as men of science, women of science, that what is instituted today, last year and the year before that, they are not going to show up this year, next year, but sure are going to be determined in the out years as to where the United States of America sits in terms of its oceans capabilities.

I am not going to play politics with that future. And you cannot play catchup in this business. All of a sudden, something is going to happen—"My God, why aren't we in the oceans; we have got to do something." It ought to be done right now for 10 years out.

I am not going to be part of that charade and especially because, as I said before, the very personal interest that Senator Hollings and I have taken at risk, since nobody cared or everybody was disinterested or nobody could understand. I am not going to see a bunch of no-nothings—no-nothings—come along and sell this—sell it—to the American people. It is just politics at its worst. I see it here; I see it at the National Institutes of Health. I see it in the education programs. This is the genious and greatness of America, not just today but in the future. Boy, I see something like this by a bunch of no-nothings—does this budget eliminate Sea Grant again?

SEA GRANT

Senator HOLLINGS. Yes. Mr. Calio seems to enjoy it; that is what nettles me. Take Sea Grant—we are trying to get the Sea Grant college status—we have gotten them all together; it takes time. In order to apply, it has got to go before a review board. They don't appoint a panel, so I can't get it reviewed and can't get it cleared. That is the way to slow down or drag their feet.

At one particular meeting, Mr. Calio said if we didn't go along with the rescission they sent up there, they would drag their feet anyway.

Mr. CALIO. No, sir; I did not say I would drag my feet, pardon me, Senator.

Senator HOLLINGS. I will get the exact quote for you, but it was indicated that the funds would not be released to the States.

Mr. CALIO. I was there, and I did not say I would drag my feet.

Senator HOLLINGS. Why are you dragging your feet on the Sea Grant review panel? Can't you find any Republicans to serve on that?

Mr. CALIO. That is not the issue, sir. We have a request in for a rescission, and we are waiting for the Congress to act on that rescission. After that action has taken place, we do have a slate of panel members ready to go.

Senator WEICKER. What rescission is this that has to be passed?

Mr. CALIO. The question of the Sea Grant rescission for 1985.

Senator WEICKER. That is supposed to be acted on by April 15? By the end of April. Is there going to be any rescission? I don't think there is going to be a rescission.

Senator HOLLINGS. You didn't have any money cut or rescission last year, and you didn't appoint the panel last year.

Mr. CALIO. January is when they were supposed to be reappointed, and that is when the administration was considering what to do with Sea Grant.

Senator HOLLINGS. The money was available since the beginning of the fiscal year, October 1 until February, when you got your rescission.

COASTAL ZONE MANAGEMENT

On Coastal Zone Management, we had 3 years of hearings, Mr. Chairman, as you know, and we brought in all the communities out in the boondocks. By the year 2000, 85 percent of the people will live within 50 miles of coastal areas. That is where the energy industries are going to locate, and we have the consideration of recreation, fishing, urban sprawl, shipping and what have you. So we started the Coastal Zone Management and the national importance of taking that coastal zone and established a program to assist the States.

Now we can't get those grants. They have terminated the assistance programs in the 1986 budget just when we get it going. It takes a long time to build up the discipline, get it through the various legislatures, but the States took the leadership on it and got a good program going. They have been a tremendous help, but they just red-lined that.

Have you got any comment, Mr. Calio, on Coastal Zone Management and what you intend to do?

Mr. CALIO. Yes, sir, we have asked for rescission in 1985 and asked for it to be eliminated in 1986. We believe two administrations now have attempted to phase down that program. The Carter administration in 1980 and this Administration in 1982. As a matter of fact, Congress itself in the 1982 appropriations called for phase-down activity in Coastal Zone Management.

Senator HOLLINGS. That's right, phase down, not elimination. Are you now trying to carry out the Carter program?

Mr. CALIO. No, sir. Two administrations have attempted to work with Congress. It was a voluntary program to begin with, $550 million having been put in that program since its inception, and to get the States to share the cost for this activity——

Senator HOLLINGS [interposing]. Actually, we have been getting offshore drilling costs, allocations made to the States to help finance these particular measures. If it had not been for the last two administrations wanting to do away with it—go ahead, I understand your attitude and where you come from. Thank you, Mr. Chairman.

UNDERWATER DIVING

Senator WEICKER. You come in and out whenever you have a question.

As you know, the 1978 Outer Continental Shelf Lands Act requires NOAA to study underwater diving techniques and equipment. Yet last year at the NOAA budget hearing, when I asked who would provide the R&D necessary for diver safety and performance if NOAA's program was terminated, the agency's response was "no one." The 1986 budget request again proposes to terminate this congressionally mandated program.

Doesn't the administration recognize its responsibilities under this amendment to do the research necessary to provide for the equipment and techniques to ensure the safety of those divers?

Mr. CALIO. Yes, it does. And we have within our program budget for the NOAA diving office about a half a million dollars. We asked for additional funds, but did not receive those.

Senator HOLLINGS. Half a million dollars. Mr. Chairman, most of the people in defense can get half a billion dollars. All you have to say is "defense"—the buzz word—put the divers into defense, you know, to protect the security of the United States, and you will have it. You are working in the wrong subcommittee.

Senator WEICKER. I will have something to say about that at the Republican leadership meeting in about another hour.

Senator HOLLINGS. Will you take me to it? [Laughter.] Half a million dollars. Well, we have half a million dollars out of Calio this morning; we are doing pretty good. I am ready to have a news conference. [Laughter.]

SEA GRANT

Senator WEICKER. The matter of Sea Grant rescission of $19.5 million for Sea Grant Programs, your request, the Department of Commerce requested the termination of funds for Sea Grant or is that an OMB decision?

Mr. CALIO. The Department's decision.

Senator WEICKER. Department of Commerce decision.

Mr. CALIO. Yes.

Senator WEICKER. It is estimated that this program, I might add, which costs $40 million, yields $200 million in benefits to the Nation.

Mr. CALIO. If it is a five to one advantage in benefits to cost, why are others participating in the funding of it?

Senator WEICKER. I think there is a great deal of difference between the bottom line of a corporation in the private sector, if you will, and that which government involves itself in. You know as well as I do, the private sector in the mid-1960's for a period of several years did much of the work NOAA does. It is more narrowly focused now. Anyway, the private sector pretty well got out of it.

Mr. CALIO. I think the numbers reflect more cost savings, cost avoidance, I guess, as opposed to hard-dollar savings.

Senator WEICKER. I am not going to spend a great deal of time on Sea Grant. I am going to tell you right now, it is going to be reinstated. It is a program, I might add, that involves everybody; it is not just a matter of coastal States. How many States are involved in Sea Grant?

Mr. CALIO. About 150 institutions all together in 39 coastal States and territories.

Senator WEICKER. Disciplines, decentralized, not the Federal Government here in Washington, in other words, this is all true under the proposal.

Mr. CALIO. Yes.

Senator WEICKER. Decentralize; variety of disciplines.

Senator HOLLINGS. You know, a Republican President started this program.

Mr. CALIO. I didn't know that.

Senator WEICKER. I didn't know that either.

Senator HOLLINGS. The whole thing—this is 20 years ago—when President Nixon was in—we had to get past Erhlichman. Erhlichman was a big old land-use fellow. He killed this thing three times, so the Attorney General, from MIT, the first director came over and President Nixon issued the Executive Order instituting the National Oceanic and Atmospheric Administration. That is how we got started with President Nixon.

It has been a winner, but you get these Secretaries over there in Commerce who think all of a sudden they are going to handle Japan and free trade. They look down there and find out 40 percent of their budget is under NOAA and every time they want to save, they cut it, and try to get rid of it. They don't even know what it is. You don't lasso a whale. [Laughter]

Senator WEICKER. That is right. If you have some questions, please go ahead.

NEXRAD AND RADAR PROGRAMS

Senator HOLLINGS. Thank you, Mr. Chairman. On the STORM, I understand we had some progress on part of it. Then you held back on the NEXRAD, next generation radar. Last year I introduced a resolution, and the resolution was unanimously passed, to increase our possibility to predict tornadoes, downbursts, severe squall lines, thunderstorms and everything else. With the experience we have in the Midwest, we want to give a national kind of prediction. What is your comment, Mr. Calio, about what is being done about that?

NEXRAD

Mr. CALIO. About NEXRAD? We are supporting NEXRAD, sir. It is absolutely important we have radar capability throughout the country. What we are doing is completing the validation phase of that activity this year and next. It has been brought to our attention there may be other competitive capabilities at lower costs to the Government that we are taking a look at simultaneously.

Senator HOLLINGS. Will you——

Mr. CALIO [interposing]. It has been put on the table so we have to take a look at it. I am trying to do that, and at the same time not lose very much time as far as the NEXRAD development is concerned.

I agree, we need to upgrade our capability throughout this country.

Senator HOLLINGS. Thank you. Thank you, Mr. Chairman.

MONITORING AND ASSESSMENT

Senator WEICKER. Last year, the Congress appropriated $4 million for the co-development by EPA and NOAA of a comprehensive trend monitoring and assessment program for Long Island Sound, Narragansett Bay, Buzzards Bay and Puget Sound. It is my understanding that the mechanism for fulfilling NOAA's responsibility under this program is the National Estuarine Program.

Would you please describe for the subcommittee what action has been initiated by your office to insure that sufficient manpower and other support are made available within NOAA to complete the tasks assigned the agency under this program.

Mr. CALIO. I guess that office was established about 6 or 7 months ago, and it was to draw on all the elements of NOAA and provide the technical expertise to be able to carry out the responsibilities of that office.

I have not personally in the last few months looked at that office to see if all of the elements are there and functioning and working. I can and will do that. I am told that they have been working with EPA and developing work plans for Narragansett Bay and Buzzards Bay and the process is about now starting to work on plans for Puget and Long Island Sounds.

The implementation of those plans, however, has not been addressed yet.

OCEAN PULSE AND NORTHEAST MONITORING ACTIVITIES

Senator WEICKER. What action has been or will be taken to insure that funding for the National Status and Trends Program, the Northeast Monitoring and the Ocean Pulse Program will remain intact to support the research required under this program?

Mr. CALIO. The Ocean Pulse and Northeast Monitoring activity have been eliminated in the budget on this submission. We still have about $6.3 million remaining in habitat research, but that will be nationwide.

FISHERIES VESSELS

Senator WEICKER. What is the status of the A–76 study on the deactivation of NOAA's fisheries vessels?

Mr. CALIO. The study is underway. What I am looking for is the schedule of the studies. They have been started, sir, but I can't seem to find the notes for the schedule. I can provide that. I apologize. I can provide it for the record.

Senator WEICKER. Counsel tells me the budget request contemplates chartering out all the vessels.

Mr. CALIO. All of the fishing vessels?

Senator WEICKER. Yes.

Mr. CALIO. A major fraction of them. That activity started before the A–76 activity started, so it is a decoupled situation. It became apparent in the northwest there may be an abundance of vessels available for charter, and so the notion was to attempt to see if we could charter at a lower cost to the Government those vessels necessary to carry out the fishing observation and research activities, and behind that came the A–76 effort. Those two happen to be brought into a single line.

Senator WEICKER. I have further questions for response to the record. Senator Hollings?

COASTAL ZONE RESCISSION

Senator HOLLINGS. Mr. Calio, relative to the Coastal Zone Management rescission, my question would be—if the Congress does reject the rescission—how soon would you be able to start approving grants? I ask that question in light of what you said that you are not dragging your feet. Somebody must be, from October to February, they kept telling everyone that they were reworking the regulations and then in February, they took the stance, we have no money since we proposed the rescission.

You have a schedule under the section 306 funding cycle. You gave extensions for the first 15, I believe. What happens starting with New Hampshire on down? You took care of Connecticut. You have not taken care of South Carolina.

Senator WEICKER. We are going to run out of money; right?

Mr. CALIO. We processed the paper for the extension for that.

Senator HOLLINGS. So, you have a half a million dollars plus.

Senator WEICKER. Where does South Carolina sit?

Senator HOLLINGS. That is what I am wondering.

Mr. CALIO. $141,000 for Connecticut.

Senator HOLLINGS. Half a million plus the $641,000. You are moving up.

Mr. CALIO. South Carolina comes up on July 31.

Senator HOLLINGS. I think by then we would have acted on the rescission. And then are you going to say you will wait until October for the new fiscal year.

Mr. CALIO. No, sir; I will process the papers right away.

Senator HOLLINGS. Right away; immediately?

Mr. CALIO. Within the schedule—we can put them through one at a time, but after that——

Senator WEICKER [interposing]. Listen, I can tell you right now, as a practical matter, you can start right now because there isn't going to be a rescission. If we have not acted, as I understand it, if we have not acted by April 25, right, then there is no rescission; is that correct?

Mr. CALIO. That is correct.

Senator HOLLINGS. Your plan is to put them out; is that correct?

Mr. CALIO. April 25; that's right.

A–76 ACTIVITIES

Senator HOLLINGS. I appreciate that. The administration calls for reductions in this A–76 program of $8.1 million under OMB Circular A–76 with a plan of contracting out services now performed in-house. What is your best projection of A–76? Is that $8.1 million a realistic prediction?

Mr. CALIO. $3.5 million in savings will be achieved from management efficiency studies and productivity right now. The remaining $4.6 million is a savings computation developed by the Office of Federal Procurement Policy for new studies to be completed in fiscal year 1985 and fiscal year 1986. When you look at the number of studies we have in place, which are 36 out of 51, you apply that formula and the number $4.6 million comes out.

So it is a calculated number, a portion of it already realized. We do have, if you wish, for the record a complete list of that activity.

OCEAN SERVICE CENTERS

Senator HOLLINGS. Let me jump over to those ocean service centers, because we enacted last year under the leadership of Dr. Byrne who was very much enthused of having ocean service centers. We provided those in Honolulu, Port Newark, NJ, New Orleans, Charleston, SC, as well as the Great Lakes area. In fact, Senator Percy and Senator Metzenbaum debated as to whether to put it in Cleveland or Chicago.

Now, I would like to know the current status. I have been told you like very much the ones you proposed at Seattle and at Anchorage. Those apparently are working well. However, for the ones we added in Congress, why are you studying those to see if the private sector can handle them since the first two are functioning well?

Mr. CALIO. That is not quite correct. We do endorse the concept of the ocean service center. We think such centers will be of great value to the country. The question is whether we should take taxpayer money to operate those.

What we are suggesting is we take the Anchorage and Seattle centers first and see if we can transfer the activity to a private value-added company that can run the centers, provide tailored products for the marine industry, and be able to operate that service at no cost to the Government.

Based on our knowledge, we will then proceed to other service centers operated similarly throughout the country. We have been in contact with companies in the northwest, and there seems to be a good deal of interest.

Senator HOLLINGS. Congress enacts and you administer, and when we enact a new center to be run by the Government, then you start over into another direction.

Mr. CALIO. We have a revised proposal coming in for your consideration.

SPACE CONSOLIDATION

Senator HOLLINGS. The headquarters building, what can you tell us about that? As you know, we provided $250,000 to make that study for consolidation. You have 5,000 employees occupying a million square feet in 21 locations. What can you tell the committee about that?

Mr. CALIO. We have been actively pursuing consolidation in the Washington area. We have used that money to develop a reasonable, detailed analysis of what is necessary. We have produced a plan, which we submitted to the department. The department has had discussions with GSA and GSA is trying to bring that plan into agreement with its 5-year plan.

Unfortunately, we seem to have missed an administrative window this year which we were trying to hit. I was trying to get it into this year's 5-year planning activity. I believe we really need consolidation of activities here in Washington, but we are assured by GSA we will be able to get it in the next year's plan.

Unfortunately, that means approximately one-third of our people may have to be relocated in new rental facilities, which I was trying to avoid, in the near future.

Senator HOLLINGS. Let me at this point save time, Mr. Chairman, because you have the Senator from Arkansas here. I wrote GSA, preparatory to this hearing. I will put my letter and their response in the record at this point, if there is no objection.

[The information follows:]

General
Services
Administration
Washington, DC 20405

MAR 14 1985

Honorable Ernest F. Hollings
United States Senate
Washington, DC 20510

Dear Senator Hollings:

The General Services Administration (GSA) supports the concept of consolidation of the National Oceanic and Atmospheric Administration (NOAA) and is committed to the most cost-effective and efficient method of housing its operations in the Washington metropolitan area. We are working with NOAA toward a long-range plan to improve their space situation under the concept of full collocation/consolidation on a federally owned site.

We are aware of NOAA's interest in the Southeast Federal Center (SEFC) as a possible site to collocate their activities. Unfortunately at this time, GSA must continue to depend on leasing space for NOAA for the short-term until an ownership solution can be pursued within available Federal Buildings Fund resources and in accordance with national priorities.

On February 15, GSA submitted a lease prospectus to Congress (copy enclosed) which proposes a partial consolidation of NOAA activities now located at three locations. The proposed consolidation would reduce NOAA's space needs by 54,868 square feet.

I want to assure you that GSA and NOAA will continue to work toward a long-range plan of action to improve NOAA's space situation under the concept of full collocation/consolidation on a federally owned site. The lease negotiated under the proposed prospectus will be flexible enough to allow the implementing of a long-range plan of action for NOAA should such a plan be undertaken during the lease term.

Sincerely,

Dwight Ink

Dwight Ink
Acting Administrator

Enclosure

COMMUNITY SUMMARY
NATIONAL CAPITAL REGION, WASHINGTON, DC

The community plan examined the General Services Administration (GSA)-controlled space inventory as of October 1, 1984, in the Washington, D.C., Maryland, and Virginia jurisdictions making up the National Capital Region (NCR).

The dispersal of 27 agencies in 388 locations; high central business district rental costs; relatively high office space utilization rates; the rental surge from the rollover in the next 5 years of old, long term leases with favorable rates; aging Federal buildings; and the presence of major sites with development potential are the principal issues making this planning community among the highest priorities in the nation for consolidation of leased space in less costly locations consistent with agency missions, and for capital improvements (demonstrated to be cost-effective solutions) to increase the percentage of space owned by the Federal Government.

Based on current market conditions and the needs of client agencies, the strategy for housing agencies in the NCR for the next 10 years consists of the following:

o Three immediate actions are proposed for FY 1986 to consolidate 3 agencies currently in approximately 924,000 square feet and 18 locations into 15 fewer locations and approximately 37,000 fewer square feet. Utilization improvements achieved through these consolidations allow for provision of approximately 68,000 square feet of necessary expansion space for one of the agencies while still generating a net reduction in space from the current level.

o Twenty-eight immediate actions are proposed for FY 1986 covering succeeding, superseding, replacement and renewal leases. These actions cover 2.8 million square feet, and are the least costly where viable alternatives are present.

o Additional lease consolidations will be achieved in future years to meet agencies' mid-range and long-range space requirements reducing the administrative costs and inefficiencies associated with dispersal and improving office space utilization. Up to one million square feet of consolidations will be proposed each year for the next 5 years.

o Achieve consolidations by the replacement of leased space through potential development on Government-owned sites containing 244 acres. Long range development potential on the sites is over 14 million occupiable square feet.

o Improve the state of maintenance and safety in the inventory of federally-owned space, and thereby contribute to providing adequate space for agency operations, extend the useful life of buildings and effectively expand the owned inventory by reclaiming vacant or underutilized space.

o Implement a least cost locational policy for those agency components where proximity to headquarters is not mandatory.

o Assign/reassign space as agencies relocate and/or as leases expire to assist agencies in improving their space utilization in accordance with the President's work space management reform initiative.

Implementation of these strategies will result in long-term use of current assets; satisfaction of known agency mission requirements; and reduction in operating costs and leased space due to increased consolidation of agencies. In addition, implementation of the plan will have these results:

- Potential to increase the ratio of employees housed in Government-owned to leased space from the current 51-49 ratio to almost 62-38.
- Increased efficiency of agency operations achieved through consolidation.
- Utilization of major Government-owned sites.
- Possible reduction in the leased space inventory estimated in the range of 6 million square feet of space.
- A life cycle cost advantage over the status quo after costs of implementing the recommendations in this plan estimated at an amount equivalent to $38 million per year.

GSA PBS

PROSPECTUS - LEASE
Department of Commerce, National Oceanic & Atmospheric Administration, Metropolitan Area, Washington, DC

Prospectus Number: PMD-86W15

Description:

This prospectus proposes the leasing of 263,442 occupiable square feet of space for the partial consolidation of the Department of Commerce, National Oceanic & Atmospheric Administration (NOAA). This project will replace 318,310 square feet of space and 27 parking spaces now assigned to NOAA at three locations, the Gramax Building and the Page I and II Buildings. The new lease or leases will allow the General Services Administration (GSA) to vacate the Gramax Building, where we have experienced poor lessor performance. Furthermore, the Page I and Page II Buildings are being sold and the new owners have asked GSA to vacate by April 30, 1986. The proposed consolidation would reduce the office utilization rate from the present 168 square feet per person to 146 square feet per person and will reduce NOAA's space needs by 54,868 square feet. This utilization rate is optimum for this assignment, due to NOAA's requirements for conference/training areas and file space within workstation areas.

GSA and NOAA are continuing to work toward a long-range plan of action to improve NOAA's space situation under the concept of full collocation/consolidation on a Federally-owned site. The leases negotiated under this prospectus will be flexible enough to allow the implementing of a long-range plan of action for NOAA should such a plan be undertaken during the lease term.

Justification:

GSA must move out of the Page I and Page II Buildings and will replace the Gramax Building because of poor lessor performance.

The consolidation will improve agency effectiveness, reduce administrative costs and reduce the inefficiency inherent in multiple locations.

Annual lease costs approximating $1,000,000 will not be required due to the reduction in space requirements resulting from improved utilization.

The life cycle cost of leasing results in a $6,861,000 cost disadvantage when compared to Federal construction, or an equivalent annual cost disadvantage of $553,000. All three of these leased locations expire in 1986 and NOAA must continue to be housed. Therefore, lease authority is required to ensure continued housing for NOAA and to achieve the near term utilization improvement savings until an ownership solution can be pursued within available Federal Buildings Fund resources and in accordance with national priorities.

GSA PBS

PROSPECTUS - LEASE

Department of Commerce, National Oceanic & Atmospheric Administration, Metropolitan Area, Washington, DC

Prospectus Number: PMD-86W15

Alternatives:

STATUS QUO - This alterative is not possible because GSA must vacate the Page I and Page II Buildings when the leases expire, and does not want to remain in the Gramax building because of poor lessor performance.

LEASE - This alternative envisions leasing consolidated space to replace the three buildings. The 30-year present value cost of this alternative is $71,753,000.

CONSTRUCTION - Under this alternative, a new facility would be constructed of a size equivalent to the proposed lease. The 30-year present value cost of this alternative is $64,892,000.

Recommendation:

LEASE is recommended.

Authority is requested to continue occupancy of the current buildings until relocation is completed.

Occupant	DOC/NOAA
Estimated maximum annual cost*	$7,376,376
(Current total annual cost).	$3,795,949
Proposed rental range.	$18-28/sf
Proposed leasing authority	10 years
Occupiable square feet to be leased.	263,442
Parking to be leased	24 spaces
(Current lease expiration)	Multiple (1984-1987)

* The lease may contain an annual escalator clause to provide for increases or decreases in real estate taxes and operating costs.

Statement of Need:

It has been determined that the above project is a Government need and that the proposed solution is the best immediate solution to meet NOAA's need and to effect a partial consolidation of the agency.

Submitted at Washington, DC, on FEB 5

Recommended: Robert J. A. Kunkis
Act Commissioner, Public Buildings Service

Approved: Patricia Q. Schroeder

GSA PBS

PROSPECTUS - NEW LEASE
Department of Commerce, National Oceanic & Atmospheric Administration, Metropolitan Area, Washington, DC

Prospectus Number: PMD-86W15

ECONOMIC ANALYSIS

	LEASE	CONSTRUCTION
DATA Term used (yrs)	5/30	30
Occupancy year	1986	1991
Square ft. in analysis		
Leased	263,500	-
Government owned	-	263,501
PRESENT VALUE COSTS (x1000)		
Net, net rent	43,666	-
Construction cost	-	22,507
Land	-	2,614
Management, design	-	306
Less: Bldg reversion	-	(3,090)
Land reversion		(638)
Other benefits		
Interim housing	-	22,652
Major repairs and tenant alterations	2,387	2,880
Maintenance	-	1,470
Service & utilities	16,349	10,069
Property taxes, ins.	8,828	5,437
Property management	523	685
Total Present Value Cost	71,753	64,892
PROPOSAL VALUE		-71,753
PRESENT VALUE COST DISADVANTAGE		(6,861)
OR		
EQUIV. ANNUAL COST DISADVANTAGE		(553)

Factors Used (Today's Values):
Net Rent: $17.50/osf
Operating Cost: $5.00/osf
Constr. Cost to Build a Building: $97/gsf
Land Cost: $3,202,255
Discount rate: 7%

Housing Plan
Department of Commerce/National Oceanic & Atmospheric Administration, Washington, DC
(As Of November 1984)

	CURRENT							PROPOSED					
Building	Total Sq.Ft.	Total Pers.	Office Sq.Ft.	Office Pers.	Special Sq. Ft.	Storage Sq. Ft.	Building	Total Sq.Ft.	Total Pers.	Office Sq.Ft.	Office Pers.	Special Sq. Ft.	Storage Sq. Ft.
Gramax	156,965	948	135,740	937	15,065	6,160	New Consolidated Location	263,442	1,668	244,209	1,668	16,145	3,088
Page I	68,090	326	65,325	319	2,515	250							
Page II	93,255	459	86,080	452	3,445	3,730		—	—	—	—	—	—
AGENCY SPACE	318,310	1,733	287,145	1,708	21,025	10,140	AGENCY SPACE	263,442	1,668	244,209	1,668	16,145	3,088
Parking	8,100						Parking	7,200	(24 spaces)				
TOTAL	326,410						TOTAL	270,642					

Current Office U/R: 168

Proposed Office U/R: 146

Housing Plan
Department of Commerce/National Oceanic & Atmospheric Administration, Washington, DC
(As Of November 1984)

CONSOLIDATION

A. Space to be vacated	Sq. Ft.[1]	Pers.	Ann. Cost[1]	Expir.	Disposition
Gramax	160,865	948	$2,005,447	4/10/86	To be deleted from GSA Inventory
Page I	68,090	326	$ 926,667	9/30/84[2]	"
Page II	97,455	459	$ 863,835	7/31/87[2]	"
TOTAL	326,410	1,733	$3,795,949		"
B. Space to be Acquired					
New Leased Space	263,442	1,668	$7,376,376(est.)		

1. Includes parking spaces.

2. The lease terms for the Page I and Page II buildings are being renegotiated to expire at the same time, April 30, 1986, when the owner wants the buildings vacated by the government.

SJC SUB.
(NOAA)

February 26, 1985

Honorable Raymond A. Kline
Acting Administrator
General Services Administration
18th and F Streets NW
Washington, D. C. 20405

Dear Mr. Kline:

Enclosed is a copy of the Report 98-514 of this Committee with regard to the fiscal year 1985 appropriations of the Department of Commerce. I want to specifically bring to your attention the discussion on pages 19 and 20, that I authored, with regard to the consolidation of the many offices of the National Oceanic and Atmopheric Administration in Washington.

I intend to follow-up on this during our hearings on the fiscal 1986 budget of the Department. It would be much appreciated if we could have GSA's comments as to the feasibility of co-locating NOAA's Washington operation at the Navy Yard Annex by March 15, 1985. If,for some reason GSA does not believe that the Navy Yard is the proper site for co-locating NOAA, then I would like to know where and when you think we can obtain a true national headquarters for this important Agency.

Questions regarding this request should be discussed with Warren Kane, of the Committee staff. He can be reached on 224-7277 and your response to me should be directed to his attention.

With kindest regards, I am

Sincerely yours,

Ernest F. Hollings

EFH:wkm

bcc: John Shank
Ralph Everett
Paul Friday

GSA ESTIMATES

Senator HOLLINGS. I know the General Services Administration estimates it costs $64,892,000 to construct a building to house the activities, and $71,753,000 to lease the required space. There we are penny-wise and pound foolish again. We spend more on leasing than we would to actually get a building.

I hope we can facilitate that so we can save the Government money and, of course, your administration.

Let me include these other questions in the record. Thank you, Mr. Chairman.

STATEMENT OF SENATOR BUMPERS

Senator WEICKER. Senator Bumpers.

Senator BUMPERS. Thank you, Mr. Chairman. I ask my prepared statement be inserted in the record.

Senator WEICKER. It will be included in its entirety.

CATFISH FARMING

Senator BUMPERS. Mr. Chairman, the U.S. trade deficit has been getting a lot of attention lately. Last week, we passed a resolution calling on the President to take action in this area, and I read in the paper this morning that, as a result of our actions, and the actions taken by the House yesterday, the Japanese are sending a special trade representative to Washington tomorrow. There are many reasons for our trade deficit, but I want to point out something we've done in Arkansas, with the assistance of NOAA, which is having a positive impact on the balance sheets—catfish farming.

The increasing imports and resulting deficit of trade in fish and fishing products is alarming. Imports of fish and fishery products, both edible and non-edible, totaled $5.1 billion in 1983 with a total deficit of trade of $4.1 billion. With the abundance of natural resources (land and water) in the United States and with a firm commitment from Government and industry at this time, we could change this fish and fishery products trade deficit to a surplus.

In 1960, catfish production in the United States totaled only 325,000 pounds, worth $100,000. Growth has been phenomenal. In 1984, the industry production was calculated to be over 250 million pounds worth about a quarter of billion dollars at the farm level. Research in water quality management, alone, has increased the 800-pound per acre average production in 1960 to 1,500 pounds in 1977. Many farmers are producing over 5,000 pounds per acre today.

The fish farming experimental station, located in Stuttgart, AR, is at the forefront in the development of commercial warm-water fish farming, which is a growing, viable, and profitable industry due largely to the efforts of this research center. The Stuttgart station has transformed warm-water fish farming into one of the few profitable areas of modern agriculture, with revenues in Arkansas alone exceeding $31 million for bait fishes, $20 million for channel catfish, $5 million for sport fishes, and $3 million for feeder and ornamental goldfish.

Yet, with all the successes of the Stuttgart facility, and in spite of the tremendous use made of the station—5,861 public inquiries in 1983 from 51 foreign countries and 46 States—until last year, funding for the station had increased only 26.6 percent since 1973, much less than the rate of inflation. As a result, the station had been forced to greatly reduce its full-time staff from 21 to 8.

Last year, we increased funding for the Stuttgart station from the fiscal year 1984 level of $170,000 to $375,000 in fiscal year 1985. In the overall scheme of things, this is not a lot of money, and as the growth figures from the industry prove, it is money well spent. So, I would ask Mr. Calio, why does NOAA keep trying to kill this worthwhile project? Again, this year, NOAA has submitted a budget request that includes zero funding for the Stuttgart Experimental Station. This request is obviously penny-wise and pound-foolish, and I urge the members of this committee to reject it, and fund the station at a reasonable level in fiscal year 1986.

RESEARCH AND DEVELOPMENT PROGRAMS

Mr. Calio, tell me, if you can, where are you and how deeply are you involved in this so-called "greenhouse" research, the global warming program? The National Academy of Science said there is no question that our continuing to throw aerosols into the atmosphere is bringing about the possibility of the greenhouse effect.

How deeply is NOAA involved in that research? Are you familiar with what I am talking about?

Mr. CALIO. Yes, I am. On the whole, we have proposed for fiscal year 1986 about $10 million or $11 million for air quality research. Of that, about four is for the acid rain research program which we participate in with EPA and the Department of Agriculture. We have proposed a new initiative in the area of research on radiatively important trace species in fiscal year 1986. So I would say it is about 6 percent of our budget, 6 percent of our R&D budget, excuse me, which would be associated with looking at methane, carbon dioxide, and the like.

RESEARCH CONTRACTING

Senator BUMPERS. Are you contracting for that research?

Mr. CALIO. The radiatively important trace species will be done in-house; most of the acid rain research is also in-house.

Dr. THOMAS. In the Acid Rain Program, there is a million to million and half in contracted research; the rest is in-house. We have a monitoring system for atmospheric constituents in Hawaii, which has kept the records of carbon dioxide and monitored some of the other species. We do support some universities in carbon dioxide studies trying to understand where it comes from.

Senator BUMPERS. When I first came here, this was a pretty sexy item, this whole ozone depletion theory, which had come out by a couple of scientists at the University of California at Irvine. At that time, we seriously debated discontinuing the use or prohibiting the use of aerosols. We found that about half of these gases were being thrown into the atmosphere by Freon, which is used in refrigeration products. Do you know what the status of our controls over those aerosols are now? Are they prohibited at some point or not, the use of aerosols?

Mr. CALIO. Chloroflouro methane, as far as spray cans is concerned, that was taken out.

Senator BUMPERS. How long ago?

Mr. CALIO. It was back, I guess, in 1977.

FREON IN REFRIGERATION SYSTEMS

Senator BUMPERS. I forget now, what was the gas?

Mr. CALIO. Freon 11 and 12 in the cans. But we are still using it in the refrigeration systems—Freon.

Senator BUMPERS. How many tons a year do we manufacture of refrigeration Freon?

Mr. CALIO. I don't know.

Senator BUMPERS. As I recall, it represented about half of the problem of what we were putting into the atmosphere.

Mr. CALIO. As I also recall, there was a NASA program, and NASA has responsibility, if I can remember, for monitoring ozone depletion measures.

Senator BUMPERS. That has been going on for some time. What is the result of those measurements?

Does it show the ozone is continuing to be depleted?

Dr. THOMAS. Yes.

Senator BUMPERS. It is hard to measure because it takes 12, 15 years for these gases to reach the ozone level.

Dr. THOMAS. Part of our monitoring program is the measurement of the ozone, the total ozone in the atmosphere.

Mr. CALIO. And transport of some of these gases has been going on for about 15 years.

GENERAL FISHERIES ACTIVITIES

Senator BUMPERS. Could you send me a statement on that? I do not want to belabor the record here and take the committee's time on that. I used to be involved in that. I haven't been lately. I wanted to see where you are. I am still interested in it.

Let me close out, Mr. Chairman, by saying that NOAA has eliminated all funding for my catfish farm.

Senator WEICKER. I can't understand why they keep doing that. [Laughter]

Senator BUMPERS. Did you fellows come over to our catfish luncheon we had for all our Senators?

Senator WEICKER. Was it yesterday?

Senator BUMPERS. Yes. Where were you?

Senator WEICKER. I had been looking forward to that. It was yesterday?

Senator BUMPERS. It was yesterday. I am telling you, it was a great event.

Senator WEICKER. Are we going to have cold catfish salad in the dining room?

Senator BUMPERS. It is going to go in there this year. I don't care where the money comes from, whether it comes from NOAA, from Fish and Wildlife or where, just so the money comes. But it has got to, because when you talk about trade deficits, we have cut Brazil's export of catfish to this country from 100 million pounds to 8 million pounds in the last 10 years. That represents about a $35 million reduction in the trade deficit from catfish alone, and we have raised with these experimental farms, we have raised 7 million pounds per acre. We have raised production from 100,000 pounds to 350 million pounds. We are going to save this country some day when we are starving. You are only talking about a few hundred thousand dollars.

Senator WEICKER. Is that some kind of economic impact?

Senator BUMPERS. Yes. I am going to make these people offer an Environmental Impact Statement every time they take my catfish farm money out.

Mr. CALIO. I understand there is considerable private sector investment in catfish.

Senator BUMPERS. There is, indeed, Most is in processing and marketing.

We Southerners always vote to help coastal States with marine biology, determine what ails fish, why they get sick, and so on. That's all.

Senator WEICKER. I have always supported you on the catfish.

Senator BUMPERS. After you went down to Jackson, MS, and ate some, you really became a convert. People think of catfish as a scavenger. The way we raise them, they have a very high protein diet of soybean and corn. The catfish don't have to go to the mud. There is absolutely no fishy taste. I am sorry you missed that luncheon. My God, that was a dynamite affair.

Senator WEICKER. The reason I am so silent on the issue, prior to your arriving here, we were told the administration doesn't understand that there is any connection between development of fisheries and economics. Apparently, as I questioned vis-a-vis the Caribbean Initiative, the State Department says economic advancement in the Caribbean has nothing to do with fisheries.

I tell you, I don't know how to conduct a logical debate or, indeed, any sort of query in the face of that kind of statement.

Senator BUMPERS. The people you are dealing with don't answer to logic. They keep trying to shut down three fish hatcheries in my State that cost a million dollars a year, produce $77 million in direct tourist business and $8 million in taxes to the federal Treasury.

Senator HOLLINGS. Without objection, Mr. Chairman, I will submit, on behalf of Senator Chiles, a statement for the record from Florida Citrus Mutual, as well as some questions Senator Chiles has on the Fruit Frost Program.

[The information follows:]

Florida Citrus Mutual

Statement of

Bobby F. McKown
Executive Vice President and General Manager
Florida Citrus Mutual

Florida Citrus Mutual is pleased to offer the following comments in strong support of the continuation of the fruit frost warning service, U.S. Weather Bureau, Ruskin, Florida.

My name is Bobby F. McKown. I am Executive Vice President and General Manager of Florida Citrus Mutual, a voluntary cooperative association whose membership consists of more than 13,063 active Florida citrus growers, with headquarters at Lakeland, Florida.

Florida's citrus and winter vegetable growers have, do and must continue to depend upon timely information from the fruit frost warning service of the vital U.S. Weather Bureau at Ruskin, Florida. We believe that the Ruskin facility has the latest equipment and state-of-the-art capabilities to more effectively utilize the space age weather technology than any other agency or parts of the private sector. Weather forecasting at its best continues to fall short of the desired mark; however, NOAA provides the most cost efficient agricultural weather forecasting delivery system for Florida growers. In fact, we are now beginning to adopt the satellite technology into better agricultural frost warning weather forecasting. If the Ruskin facility is scrapped, then these technological advances will be stymied and, in our opinion, would severely handicap our growers' productivity.

An agricultural operational weather advisory should seek to provide growers with interpreted weather information that can enable them to make better grove protection-related decisions and thereby increase profits by reducing losses, increasing yields and reducing production costs. It should be viewed as an additional management tool.

Florida Citrus Mutual supports viable means to reduce the federal budget deficit, but that support does not set forth that we should destroy programs that are cost efficient and beneficial to society as a whole, and we believe that the fruit frost warning program is included in that category. In the past the Congress has affirmatively determined that the fruit frost program should be continued, and Florida Citrus Mutual respectfully supports that policy decision as made by the Congress in previous years. Florida Citrus Mutual does not believe that private weather services can effectively fill the void that would be left if we had no national agricultural weather service, and though we support and utilize private weather services, they are supplementary and not considered replacement to the fruit frost warning program. Many private forecasters and forecast services are sometimes located a thousand miles away, and therefore have more interest in providing long range forecasts rather than the detailed forecasts as released by NOAA.

On the other hand, local forecasters such as those provided by the National Weather Service, have access to important local conditions, such as cloud cover, wind direction and speed which would simply not be available from a satellite for remote forecasting stations.

Florida Citrus Mutual assures the committee that the Ruskin meteorologists have amended their forecasts up or down based on important local conditions, and these up to the minute forecast decisions have proven to be invaluable to Florida citrus growers.

Florida Citrus Mutual also believes that if the future of the Florida citrus industry were placed in the hands of private forecasters, we would have conflicts in the forecast which would guarantee mass confusion on the part of citrus growers, and we further believe that the continuation of the fruit frost warning forecast is a good means of preventing a potential disaster.

A good weather forecasting program allows citrus nurserymen and growers to utilize freeze protection techniques. These techniques are all expensive, and the very best information is needed in order to assist growers in utilizing best management practices and additional supporting comments will be set forth in this statement.

The Florida citrus industry consists of predominantly small growers (less than 50 acres on the average) with total acreage of 761,365 located in 32 counties. Small growers cannot afford a private weather service. The approximate budget of $230,000 for minimum temperature and frost warning weather system is cost effective, particularly in the area of energy conservation. Low volume irrigation systems are utilized for frost and freeze protection by citrus growers, particularly when temperatures forecast indicate sustained temperatures below 28° - 26°F for six or more hours. Also, growers of specialty citrus fruit utilize grove heaters for fruit protection. Fuel and labor costs to fire a grove range up to $230.00 per acre/per night. Therefore, timely Ruskin weather forecast updates are economically mandatory in order to conserve fuel, prevent unnecessary firing and determination of proper time for commencing the firing operation.

Small growers also use flood irrigation methods for cold protection; again, energy is an important cost in their management decisions. Without the federal frost warning service for citrus, then, our growers cannot take chances. So they would fire, flood, irrigate, etc. without efficiencies. Costs rise, consumers and growers, packers and processors are adversely economically impacted, and all adds to the inflationary spiral. The current approximately $230,000 budget line item for Ruskin is a good and proper use of growers' federal tax dollars. Our industry is not subsidized, nor do we seek price supports, etc.

Florida Citrus Mutual's staff has met with private sector weather services, which desire to gived long-range, weekly forecasts with some direct, limited, short term telephone communications. They do not contemplate service approaching the magnitude or precision of the frost warning service; yet the quoted fees to our association for a two months service (January - February) would be $35,000 - $45,000 for this limited inadequate service.

We have conferred with public broadcasting facilities. They are not interested in providing frequent, regularly scheduled weather forecasts or narratives and they are unwilling to read the forecast in its entirety. It is important that the forecast be received without change or editing by our grower members; because the National Weather Service staff develops narratives explaining the basis for the forecast which are unavailable from other sources.

Public and private organizations are not equipped to handle the demand for weather information.

If we could afford it - and we can't - how could we communicate these data from our collective association to our 13,067 members statewide in a timely manner that would be useful? We can't. The National Weather Service via Ruskin has and can communicate these reports via radio, TV, teletype, etc.

Florida Citrus Mutual supports efficiency and good management practices within all agency/ governmental channels. However, we respectfully request that the Congress continue to fund the minimum temperature and frost warning forecasts and provide the agency with a priority management directive in order for the agricultural frost warning weather forecast to continue.

Florida Citrus Mutual has previously supported a 50% reduction of the number of professional personnel at Ruskin from eight to four meteorologists; however, the Congress in its wisdom, after hearing substantial testimony, implemented the 50% reduction in meteorologists, but added two positions back at a later date; only one of those positions has been filled at this time with no loss in efficiency. The five staff meteorologists permit continuing the minimum temperature and frost warning forecasts seven days a week, two shifts per day in lieu of full-time 24-hour service. Minimum temperature and frost warning services are important in pre-freeze preparation and vital in post-freeze evaluation of damage to determine juice loss, fruit loss, etc. To eliminate this vital service would deal a severe blow to an industry that is a linchpin of Florida's economy, and set in motion waves crashing against other indirectly affected industries and services.

The Florida citrus industry is a $2½ billion industry; it employs 86,000 people direct and another 87,000 indirectly; it is our state's second largest single industry and provides stability to our state's economy. For each citrus dollar generated, our multiplier effect is $3.06.

Florida Citrus Mutual does not believe the frost forecast service to be a direct support program for a single industry; it benefits all U.S. citizens. The economic well-being of the agricultural industries of Florida is of direct and major importance to hundreds of thousands of employees not only in the fruit and vegetable industries, but also to those whose livelihood depends upon the serving of these industries.

During 1981 and 1982 the Florida agricultural industry suffered back-to-back devastating freezes and in 1983 and 1985 we suffered two 100-year freezes. Certainly damage would have been far more extensive had we not had the Ruskin Weather Bureau in operation. During the 1985 freeze the Ruskin Weather Bureau utilized the latest technology in developing and releasing its agricultural forecasts. In fact the Ruskin facility was more accurate than the local television station meteorologist and local meteorological services. Accordingly, its competence level and acceptance by growers was further enhanced.

Users of agricultural weather forecasts fall into two general groups. The first is the agricultural producer; the farmer, rancher or grower who uses forecasts for daily farm operations and planning. The second group includes the interpreters who combine weather and agricultural information to formulate advisories for use by agricultural producers and agricultural industries which are weather sensitive. The federal frost warning service provides these vital data to our grower members.

In summary, the Ruskin station personnel are of vital importance to protection of the multi-billion dollar investment Florida growers have in more than 761,365 acres of citrus groves, not to mention the major property values invested in Florida's unique tropical fruit and foliage industries. Florida Citrus Mutual recognizes and appreciates the need to economize in government, but we also continue to believe that after additional evaluation, total abolition of the important fruit frost warning service would be adverse to a major segment of Florida's economy. We respectfully request that you support the continuation of the frost warning service and adequate funding to provide this important service.

If you have any questions, I would be happy to respond.

Respectfully submitted,

Bobby F. McKown
Executive Vice President

CONCLUDING REMARKS

Senator WEICKER. I have no further questions. As I said before, you have come a long way. This was something I used to look forward to in the sense of being informative, exciting. It is not that anymore. Now I am not happy to have NOAA come in. I will ask OMB to come in and present the NOAA budget. But fortunately, I have got some good people like Senator Bumpers, Senator Hollings, the Chairman, et cetera, and I can assure you, as a matter of fact, maybe counsel ought to set time aside for me to go ahead and present what is going to be the NOAA budget. I will present the NOAA budget. Thank you very much.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR LAXALT

QUESTION:

NOAA proposes to delete bill language affecting the NOAA-D spacecraft (p. NOAA-9) and indicates it will be used in the future. Please provide details in this regard.

ANSWER:

The U.S. Navy indicated in January 1985 that they no longer desired the NOAA-D bus for the NROSS program.

The basic meteorological data available from NOAA-D will provide continuity of service for essential data needed by the civilian weather community.

QUESTION:

If Congress does not approve the proposed rescission of $4,900,000 for Ocean Service Centers, will these funds be fully obligated in FY 1985? If not, what portion of these funds will carry over into FY 1986?

ANSWER:

NOAA is currently working with members of Congress who have expressed an interest in Ocean Service Centers to lay out a plan for providing regional ocean services and making the most beneficial use of the monies which have been appropriated. It is premature to speculate the amount of carryover at this time.

QUESTION:

A decrease of 10 positions and $530,000 is requested for the Marine Boundary Program. What will be the resulting program level?

ANSWER:

The reduction of 10 positions and $530,000 in the Marine Boundary Program will result in a program level of 20 positions and $993,000.

QUESTION:

In FY 1984, the Congress appropriated $500,000 for the Year of the Ocean Program, and $250,000 on a matching fund basis. Have any of these funds been obligated? If so, please provide details. Have matching funds been obtained for the $250,000?

ANSWER:

The Year of the Ocean Foundation has requested and received $275,619 from the $500,000 grant that was awarded in FY 1984. These funds were used for exhibits, conferences and meetings to increase awareness of the ocean. NOAA has recently received an application for the $250,000 matching funds. An award for the remaining funds is expected by the end of the third quarter.

QUESTION:

If the reductions of $550,000 is accepted for the Technology Extension Service (p. NOAA-72), what will be the remaining program level?

ANSWER:

A reduction of $550,000 in the Technology Extension Service Program will leave $426,000 in base funding for FY 1986.

QUESTION:

Please provide a detailed breakdown of salmon research funded by NOAA from fiscal years 1982 - 1985, with a comparison of the FY 1986 request.

ANSWER:

The following table provides a breakdown of NOAA's salmon research for the FY 1982-1985, with a comparison for FY 1986.

PROJECT	FY 82 ($K)	FY 83 ($K)	FY 84 ($K)	FY 85 ($K)	FY 86 ADMIN. PROPOSAL ($K)	REMAIN. FY 86 BASE ($K)
U.S./Canada Salmon Treaty	$1,200	$1,200	$1,200	$1,200	$-1,200	0
Japanese Salmon Interceptions	250	250	250	250	-250	0
Alaska Salmon Migrations	1,266	1,382	1,269	1,234	-1,155	$79
Prohibited Species (Salmon)	214	217	218	220	-214	6
Juvenile Survival	1,031	1,070	1,050	1,070	-265	805
Smolt Enhancement	409	420	432	442	-493	39
Salmonid Diseases	126	129	129	130	-119	11
Smolt Survival	100	100	100	100	-100	0
Atlantic Salmon	0	0	100	200	-200	0
Management Harvest Research (P.L. 89-304)	88	6	0	0	0	0
	4,684	4,774	4,748	4,846	-3,906	940

QUESTION:

What are NOAA's estimates of the research needs associated with the implementation of the North Pacific Salmon Treaty? Has a budget request been made to the Department and the Office of Management and Budget?

ANSWER:

NMFS/NOAA is presently reviewing the costs for implementing the Pacific Salmon Treaty. A budget request has not yet been submitted to the Department or OMB.

QUESTION:

Given the increases in salmon harvest allowed for fishermen in the Pacific Northwest by the North Pacific Salmon Treaty, does NOAA believe there is no longer a need for the salmon vessel buy-back program?

ANSWER:

The initial goal of the salmon vessel buy-back program was to reduce non-treaty fishing power by 30%. From FY 1981 to FY 1985, we have spent $13.8 million and decreased the fishing power in the State of Washington by 15-18%. Further increments in diminishing the fishing power have become increasingly more costly, due to the retiring of more successful vessels. It is our position that any further reduction in the salmon fleet should be funded by the State since the benefits of reduced competition in the fisheries accrue directly to the residents of Washington and Oregon.

QUESTION:

The Atmospheric Programs budget activity (p. NOAA-93) shows a reduction of $7,973,000 and 169 positions from the 1985 enacted levels to the 1986 revised base. Please detail the elements of this reduction.

ANSWER:

The reduction of 169 positions and $7,973,000 on page NOAA-93 applies to the subactivity: Public Warning and Forecast Services within the budget activity: Atmospheric Programs. The total adjustment for Atmospheric Programs is -188 positions and $-8,909,000 as detailed on the following table.

	FY 1985 Enacted	2901 Savings	5% Paycut	Mgmt. Savings	GS11-15 Savings	Admin. Cost Savings	A-76 Savings	ATBs	FY 1986 Revised Base	Total Savings
Public Warning and Forecast Services	4,164/$287,592	.../$-1,004	.../$-535	-28/$-625	.../ $-990	-30/$-340	-111/$-943	.../$-3,536	3995/$279,619	(-169/$-7,973)
Atmospheric and Hydrological Research	562/ $65,531	.../ $-367	.../ $-73	-14/$-200	.../ $-143	-1/ $-23	-4/ $-30	.../ ...	543/ $64,595	(-19/ $-936)
	4,726/$353,123	.../$-1,371	.../$-608	-42/$-825	.../$-1,133	-31/$-363	-115/$-973	.../$-3,536	4,538/$344,214	(-188/$-8,909)

QUESTION:

NOAA is proposing to eliminate funding for the Colorado River Basin flood warning system. Does NOAA believe flooding is no longer a problem along the Colorado River? How does NOAA propose to maintain the new stream and water level gauges being installed throughout the Colorado River Basin? Does NOAA propose that this equipment be allowed to sit in place until washed away by the next flood?

ANSWER:

Flooding along the Colorado is an annual event and in the last three seasons flooding has been abnormally high due to the extensive snow pack in the mountains. We believe that flooding will be a possibility whenever extensive snow pack has accumulated; improved forecasts, however, should help water management agencies plan water levels in the reservior and dam system on the Colorado River. In FY 84 Congress appropriated a one-time $1.0 million supplemental to begin the network enhancement, and in FY 85 added $1.7 million to complete the network. Using these funds, the network will be completely installed by 1986. The better data base the network provides and a new, physically-based extended streamflow prediction model should result in significant forecast improvements. After the network is installed and operational, NWS will ensure that the equipment is properly maintained.

QUESTION:

What are the recurring costs of the Colorado River Basin flood warning system for operations and maintenance, staff, and maintenance of the Soil Conservation Service gauges?

ANSWER:

It will require $700,000 annually for operations, maintenance, and staff; this includes operation and maintenance of the gages purchased for the Soil Conservation Service under the U.S. Geological Survey. The Geological Survey has recently instituted a policy change in this area; they will now maintain gages in-house, and then bill the National Weather Service. They have also changed methods for calculating overhead on these services, which has increased the estimated maintenance costs over what we had anticipated.

QUESTION:

Does NOAA intend to submit a budget amendment for continuation of a two polar orbiting weather satellite systems?

ANSWER:

We have no official word that the Administration is now supporting a two polar orbiting weather satellite system. However, if a decision is made to support a two polar program, NOAA will submit a revised budget.

QUESTION:

Please indicate the funding necessary for continuation of a two polar orbiting weather satellite compared to a one polar system for FY 1985 - FY 1991 (with completion costs). Include polar ground system upgrade assumptions. In addition, prepare one chart to reflect a three spacecraft buy for the second polar (as is currently contemplated) and a second chart reflecting a six spacecraft buy for the second polar.

ANSWER:

The comparison of the cost of a one polar versus a two polar system included in the FY 1986 Congressional Submission was a "current services" comparison. It compared the two programs for a like period of time (through FY 1997) assuming no changes except those necessary for continuity of the program.
The cost estimates have since been updated to reflect the most current NASA spacecraft cost projections, and updated launch costs based on a draft NOAA/USAF Memorandum of Understanding for Titan launches.

Changes to Two Polar Program

Instead of procurring six spacecraft starting in FY 1985, we would procure three spacecraft. These spacecraft would provide coverage through FY 1993.
meet combined mission requirements and launching requirements. The studies will also focus on the polar orbiting space platform for missions beyond NOAA M.

These NOAA/DOD studies will be the basis for determining the configuration of the polar system for the mid-1990's.

Changes to One Polar Program

The one polar program as included in the FY 1986 submission leaves two spacecraft without a Stratospheric Sounder Unit (SSU) or a Solar Backscatter Ultraviolet (SBUV) instrument. One spacecraft, NOAA D, is not capable of Search and Rescue instrument. In a two polar system it would be acceptable to fly our morning satellite without the missing instruments, but in one polar system they are necessary.

To rectify these deficiencies, NOAA J will be modified to carry a replacement microwave sounder and be Titan launchable. In a one polar satellite system NOAA-D will be used as an emergency back-up in the event of launch or premature failure. The basic meterological data available from NOAA-D would provide continuity of service for essential data in the event of a failure of an advanced TIROS-N satellite.

Cost Comparison of One vs. Two Polar System

Attachment A compares the most current cost estimates for a two polar system to those of a one polar system. The "Total All Years" cost for the two polar system includes $210M starting in FY 1988 to provide coverage beyond FY 1993. This is a rough estimate since the system configuration for this period will be defined by the NOAA/DOD studies scheduled for completion in FY 1987.

The "Total All Year" cost for the one polar system covers the cost of coverage through 2/96.

Comparison of Three Spacecraft Buy to a Six Spacecraft Buy.

The attached table compares cost for a two polar system with an initial procurement of three satellites (NOAA KLM) to a procurement of six satellites (NOAA K-P) (Attachment A). For the three spacecraft buy, the follow-on program is not yet defined. An estimate of funding is included starting in FY 1988 to provide for the system required after the NOAA KLM satellites have completed their service.

QUESTION:

Do NOAA's FY 1986 and outyear funding assumptions include funds necessary to replace the instruments on the NOAA-D spacecraft? What are these costs? When does NOAA intend to launch this spacecraft?

ANSWER:

NOAA has requested no FY 1986 or outyear funding to replace instruments on the NOAA-D satellite. The problem with this satellite is not that the instruments are not acceptable for flight, but rather that the satellite is not capable of carrying Search and Rescue and Solar Backscatter Ultraviolet instruments, and that the United Kingdom is unable to provide a Stratospheric Sounding Unit. NOAA-D will be used as an emergency backup in the event of a launch or premature satellite failure. The basic meteorological data available from NOAA D would provide continuity of service for essential data in the event of a failure of an Advanced TIROS-N series satellite.

QUESTION:

Please provide a copy of the NOAA/Air Force Memorandum of Understanding on the use of Titan II launch vehicles for the NOAA polar orbiters.

ANSWER:

Although the NOAA/Air Force Memorandum of Understanding on use of the Titan II launch vehicles for the NOAA polar orbiters has been coordinated at the working level, it has not been signed by NOAA. A copy of the latest draft version of the MOU is attached (Attachment B).

QUESTION:

Does the MOU with the Air Force include the launch of two LANDSAT satellites? Does the Air Force agree with the NOAA estimate of $18 million per launch for these satellites?

ANSWER:

The draft MOU does not consider launch of LANDSAT satellites for NOAA.

The estimate of $18 million per launch is a NOAA estimate of the cost to provide a Titan II and refurbish it for use as a launch vehicle. This estimate does not include the cost for launch services, which would be provided by an Air Force contractor. This estimate was prepared following informal discussions with the U.S. Air Force and does not include a commitment to launch these satellites at the estimated cost. No formal request can be made to the Air Force until a LANDSAT program is approved.

QUESTION:

Has NASA indicated its intended launch costs for the NOAA polar orbiters if they are made shuttle compatible? How do these costs compare with those of the Air Force for a Titan II launch?

ANSWER:

NASA has not provided a formal estimate of the cost associated with the launch of NOAA polar orbiting satellites on the shuttle. NOAA cost estimates of launch costs (should the spacecraft be shuttle compatible) have been based on the published NASA pricing formula adopted for west coast weight limitations.

Lacking formal NASA cost estimates for use of the shuttle, we are not able to compare projected costs for shuttle and Titan II launches.

QUESTION:

Of the requested increase of $57 million associated with GOES I, J & K procurement and launch, and $18 million for GOES L & M, how much is a contingency? Will all these funds be obligated in FY 1986?

ANSWER:

There is no NOAA contingency in either the $57 million requested for GOES I, J & K or the $18 million requested for GOES L & M. The funding requested in the FY 1986 budget is a direct reflection of the requirement for funding, provided for the program, by NASA. All of these funds will be transferred to NASA to be used in procurement of these satellites. Until a GOES contractor has been selected and a contract awarded, it will be impossible to estimate the amount of contingency that is included in the NASA estimate of the FY 1986 requirement and is thus available to the program.

It is expected that the funding requested by FY 1986 will be obligated during that year.

QUESTION:

NOAA states that upgrade of the GOES Data Collection System (DCS) may be supported by other agencies (p. NOAA-128). Does NOAA have commitments in this regard? Please provide examples of the users of the DCS.

ANSWER:

At this time there are no commitments by other Federal agencies to funding the GOES DCS ground system upgrade.

The following is list of current DCS users:

	NUMBER OF DCS USERS
DEPARTMENT OF AGRICULTURE	
Forest Service	222
Science and Education Division	1
DEPARTMENT OF COMMERCE	
National Marine Fisheries Service	4
National Ocean Survey	30
National Weather Service	142
NESDIS TEST (DCS)	7
NOAA Data Buoy Center	85
C-MAN Project (NDBC)	40
NOAA Pacific Marine Environment Lab	19
NOAA Space Environment (ERL)	24
NOAA Wave Progation Lab	1
NOAA (PMEL)	4
NESS Weather Research	1
DEPARTMENT OF DEFENSE	
U.S. Corps of Engineers	1561
DEPARTMENT OF ENERGY	
Bonneville Power Authority	19
Ragiological Operations - Nevada	3
DEPARTMENT OF INTERIOR	
Albuquerque Seismology Lab	10
Bureau of Reclamation (Boise)	163
Bureau of Reclamation (Denver)	161
Bureau of Reclamation (Texas)	30
Bureau of Land Management	421
Geological Division (USGS)	99
Water Resources Division (USGS)	472
National Park Service	41
Bureau of Reclamation (Upper Mo. Reg)	30

OTHERS

Environmental Protection Agency	12
NASA Lewis Test Center	2
National Scientific Balloon Facility	3
National Center Atmospheric Research	62
Tennessee Valley Authority	8
Bureau of Mines	1

QUESTION:

NOAA claims that the petroleum industry is a major user of LANDSAT data. Did NOAA explore the possibility of sharing the cost of LANDSAT commercialization with this industry? If not, why not?

ANSWER:

NOAA did not directly approach the petroleum industry. The RFP for Landsat commercialization would have allowed a group from the petroleum industry to bid had they chosen to do so.

Since the petroleum industry is a major Landsat data user, they will support the commercialization through the mechanism of data purchases.

The SEB's ground rules and the Landsat Commercialization Act require the non-discriminatory sale of data, therefore no industry group was directly approached. The SEB structured the RFP so that no particular user group would be favored.

QUESTION:

In answer to a question submitted by Senator Lautenberg, the Secretary stated that data from the SPOT land sensing satellite system "will be available on a public, non-discriminatory basis, and will be received directly by a global network of foreign operated ground stations". Thus, it appears American users of the data will not be at a competitive disadvantage. In addition, the Secretary stated that data from the European Space Agency ERS system "will be available publicly through direct readout to foreign stations". Does NOAA have an estimate of the cost involved in establishing such a station in the United States, for either system?

ANSWER:

SPOT data will be sold in the United States by SPOT Image, a U.S. corporation. SPOT Image is the U.S. licensee for SPOT data sales. The literature from the parent SPOT organization implies that SPOT data will be available on a non-discriminatory basis but only from SPOT Image Corporation. A ground station to receive Landsat or SPOT data costs at least $15 million, but we doubt that any organization, other than SPOT Image, would be permitted by the SPOT parent organization to receive an distribute data in the United States.

QUESTION

According to a report by the General Accounting Office on the NOAA weather satellite system (GAO/RCED-84-198), "Hughes Aircraft

Company has indicated its confidence in the (geostationary) satellites longevity by making recovery of the full contract price conditional on each of these satellites (GOES 4 and 5) operating for 7 years."

Due to the failure of these satellites, what is the shortfall experienced by Hughes and is this reflected in the budget submissions in the past and in the budget assumptions in the future?

Does NOAA intend to include similar provisions in a contract for the GOES-NEXT system?

ANSWER:

On September 11, 1984, the Hughes Aircraft Company refunded $2.16 million dollars to NASA. This refund represented the amount of in-orbit award fee forfeited by Hughes following the failure of the GOES 5 imager (VAS).

In an attempt to bring the GOES G satellite to a launch ready state in an expeditious manner, thus reducing the period of single GOES coverage, it was decided to expedite the delivery of this satellite. The in-orbit award fee returned by Hughes will be used to increase the number of hours, each week, that are being expended to qualify this satellite. The overtime and weekend work will be charged against these funds. The refund then is not directly reflected in our budget submissions, but rather is being used to fund for the unanticipated work required to augment the GOES G qualification effort. The GOES-NEXT contract is planned to be of the cost plus award fee type. It is NOAA's intention that the award fee provisions, which are defined by the Government, include return of fee earned during the development and production phases, should the satellite fail to perform up to expectations, once in orbit.

QUESTION:

The budget resolution reported by the Senate Budget Committee does not assume funding for LANDSAT commercialization in FY 1985, FY 1986, FY 1987, or FY 1988. Neither does the budget compromise negotiated with the Senate Republican leadership. Assuming the $90 million increment for LANDSAT commercialization is provided in FY 1986, please indicate the program reductions available to offset this increase. Please assume $30 million will be absorbed in NOAA and $60 million will be absorbed in Commerce programs other than the Economic Development Administration, which is proposed for elimination.

ANSWER:

LANDSAT commercialization is an Administration initiative assigned to DOC for implementation. Even though the necessary funding will be transfered to DOC for management, the funding has always been defined as a new initiative, not to be obtained from trade-offs against existing DOC programs. There are no programs that DOC has available to tradeoff for Landsat.

QUESTIONS SUBMITTED BY SENATOR WEICKER

QUESTION:

How can NOAA's Undersea Research Program, one that supports on pollution and human health hazards, fisheries development, habitat protection, anthropological studies, oil and gas development, and deep sea minerals mining be considered "low priority and regional"?

ANSWER:

The specific scientific issues addressed through NOAA's Undersea Research Program provide benefits primarily to local geographical areas. As a result, these projects are often of a fairly low priority in terms of NOAA's national responsibilities and should be supported by the beneficiaries of the research.

QUESTION:

What does NOAA consider to be "high priority services" in undersea research, and how will they be supported?

ANSWER:

High priority services in undersea research include the use of deep and shallow-water submersibles for NOAA research and the support of diving research and development to meet NOAA's responsibilities under the Outer Continental Shelf Lands Act Amendments. These will be continued within available funding levels.

QUESTION:

The utilitarian beauty of undersea research is that it provides us with information that can only be obtained by actually working in the ocean depths. In the last 20 years, new technology and a better understanding of diving physiology have made undersea exploration a realistic and necessary method of gaining access to marine resources. We can now study biological systems on site. We can look at sediment layers that would be disturbed by remote sampling techniques. This knowledge gives us new opportunities for scientific research, economic and industrial development, a stronger defense, and promotes conservation management.

Won't the elimination of this program also limit or ability to perform these types of research that require special diving technology?

ANSWER:

No. The special diving technology previously provided by the Undersea Research Program could be provided by private industry.

QUESTION:

The establishment of a vast exclusive economic zone off the United States encourages commercial interest and recognition of our ocean resources. The development of these resources will require the use of diving techniques and research facilities. At some time most of the federal agencies (such as NSF, the U.S. Geological Survey, National Marine Fisheries Service, EPA, etc.) will have the need to perform research in the EEZ.

(a) Is it inappropriate that NOAA should assist in providing tools needed to further this development?

(b) Wouldn't termination of NOAA's ocean mineral evaluation program hamper the further commercial interests by private industry for developing seabed mining operations?

ANSWER:

(a) No. The diving research and development activities currently supported through NOAA's undersea research program primarily benefit local and regional or private sector interests. It is more appropriate for these beneficiaries, rather than NOAA, to support those activities. NOAA will continue to support its underwater research needs from base. Other agencies will do the same. NOAA should not be providing tools for others work.

(b) No. Commercial development of such deposits is unlikely for some time because of the current state of the metals market and present projections of high costs associated with recovery of polymetallic sulfides from the seafloor. The current uncertainty of the international legal situation further complicates the possible exploitation of these deposits, particularly when they lie outside the U.S. 200-mile exclusive economic zone.

QUESTION:

You stated recently in the House Appropriations hearing on March 8, 1985, that Sea Grant has "done the job it was intended to do." The National Sea Grant Program Act does not, in fact, mandate that Sea Grant be terminated.

Does the National Sea Grant Program serve to fulfill the basic goals and mission set out for NOAA?

ANSWER:

The National Sea Grant College Program does, in theory, contribute to some of the general goals and missions of DOC and NOAA in areas like increasing America's competitiveness in the world economy, stimulating productivity, promoting economic recovery and growth, and effectively managing marine resources. The specific projects supported by Sea Grant, however, are of more direct benefit to state and local or private sector interests. These beneficiaries should be responsible for funding those activities.

QUESTION:

Would you please explain NOAA's interpretation of Sea Grant's mission and how the agency justifies their request that Federal support should be terminated?

ANSWER:

We believe that the establishment of a Sea Grant College network to promote excellence in marine science research and education was one one of the basic missions of the Sea Grant program. That mission has been largely completed. In our effort to reduce the Federal deficit, we must now ask the state and local governments and private sector interests which benefit from Sea Grant research to assume financial responsibility for the program.

QUESTION:

The Sea Grant Program's terrestrial counterpart, the Land Grant Program, was founded in the 1870's and receives an estimated $200 million a year. How can NOAA justify the termination of Sea Grant while such a similar program has been maintained for over a century and whose continued existence is viewed as vital?

ANSWER:

We recognize that the Land Grant Program continues to receive Federal support, but do not have any information on the rationale for that funding. The Administration's basis for terminating Federal support for Sea Grant is stated in the answer to preceding questions.

QUESTION:

What is the present status of the Sea Grant Review Panel and the placement of panelists?

ANSWER:

The Sea Grant Review Panel is chartered under terms of the Federal Advisory Committee Act. The most recent charter for the Panel expired October 6, 1984. Action to renew the charter was delayed pending Congressional review of the Administration's proposal to close out the Sea Grant program in FY 1985.

Terms of 10 members of the 15-member Review Panel have lapsed, while terms of the remaining 5 continue into July 1985. A list of nominees which would bring the panel to full strength, is being processed through the Department of Commerce.

QUESTION:

Congress authorized and appropriated funds to CZM program and has just recently notified NOAA, the Department of Commerce,and the OMB of its growing frustration and impatience at continued efforts to avoid implementing mandated programs. This effort has just recently taken the form of rescission requests for this and other programs.

Does NOAA plan to continue such efforts in the future?

ANSWER:

If the rescission is not approved, NOAA intends to expend the 1985 funds in accordance with the Appropriation Act and the Coastal Zone Management Act.

QUESTION:

Each year the Canadian Government has provided over $10 million for Great Lakes research. Though the Administration has signed the Great Lakes Water Quality Agreement, it has continued to try to eliminate the Great Lakes Environmental Research Laboratory and reduce the funding for Great Lakes research. Important areas of research in this system are the effects of pollution, water withdrawals, nutrient enrichment, and the transportation of hazardous wastes.

What evidence exists that we will be meeting the provisons specified in the Agreement if we close the Lab and reduce research funding?

ANSWER:

The Environmental Protection Agency has the responsibility to ensure U.S. compliance with the U.S./Canadian Water Quality Agreement of 1978. Support for EPA's Great Lakes National Programs Office, which is responsible for managing activities related to the Agreement, is maintained at approximately $4 million in the President's FY 1986 budget. There is no reason to expect that EPA will, in any way, jeopardize implementation of U.S. responsibilities under the Agreement.

QUESTION:

How closely do NOAA and EPA work together on Great Lakes research (please provide for the subcommittee a list of FY85 joint projects (if any) and funding amounts for each agency) which would be reduced or terminated as a result of the FY 1986 budget request?

ANSWER:

Great Lakes research at NOAA and EPA differs due to statutory responsibilities and agency missions. For EPA, Great Lakes research is primarily applied research directed toward Great Lakes pollution abatement under the Clean Water Act and the Great Lakes Water Quality Agreement. NOAA fundamental research and development objectives in the Great Lakes are: (1) to increase the understanding, assessment, development, utilization, and conservation of the Great Lakes resources; (2) to improve assessment of the impact of anthropogenic stresses on the Great

Lakes ecosystem; and (3) to observe and predict Great Lakes marine weather, including hazards like severe winds.

NOAA and EPA are currently working together on several Great Lakes activities including:

(1) NOAA (Director, National Marine Pollution Program Office) leads a federal interagency coordination activity involving NOAA, EPA, DOI/FWS and COE, on Great Lakes environmental quality research and monitoring. A document is being prepared, "Action Plan for Federal Research and Monitoring Related to Great Lakes Water Quality and Quantity." Four primary Great Lakes environmental issues that require resolution over the next decade have been identified: nutrient overenrichment, toxic chemical pollution, habitat modifications, and water quantity changes.

(2) A 3-year international (United States-Canada) and interagency (EPA-U.S. lead agency, NOAA, FWS, COE, Michigan DNR) study of water quality/marine pollution problems in the upper Great Lakes connecting channels (St. Clair River, Lake St. Clair, Detroit River, and St. Marys River) was recently organized to determine ecosystem and water quality trends, identify issues and recommend appropriate control and surveillance programs for these waterways. Relating to this Connecting Channels Study, an interagency agreement was signed in February 1985 in which NOAA/GLERL received $365K from EPA/Great Lakes National Program Office to supplement some $300K of NOAA FY85 funds. These funds are being used by GLERL to carry out experimental studies and analyses of currents, sediments, and contaminants and to develop and test a hierarchy of models (circulation,mass balance, and environmental quality) for the connecting channels. NOAA/GLERL chairs the international and interagency Modeling Work Group and is a member of the Management Committee, the Activities Integration Committee, the Sediment Work Group and Water Quality Work Group.

(3) Staff of NOAA/GLERL participate with EPA staff on several International Joint Commission institutions relating to the Great Lakes Water Quality Agreement, i.e., The Health of Aquatic Communities Work Group; The Task Force for Lake Michigan Surveillance; The Task Force for In-Place Sedimentary Contaminants; The Task Force for the Upper Connecting Channels Surveillance; and The Modeling Task Force.

QUESTION:

Did the proposed cuts in Great Lakes research originate with NOAA, the Department of Commerce, or with OMB?

ANSWER:

Both NOAA and the Department of Commerce supported continued funding for the Great Lakes Environmental Research Laboratory in FY 1986. The final decision to close the Laboratory was made by OMB.

QUESTION:

What were the recommendations resulting from the net entanglement workshop held in Hawaii last November?

Are funds included in the National Marine Fisheries Service 1986 Budget to continue addressing this problem? (If not, why not?)

ANSWER:

a) The entanglement workshop found quantitative evidence which indicates that marine animal interactions with debris are contributing to increased mortality over that resulting from natural causes.

The workshop recommended the following as a means for addressing the uncertainties surrounding this problem while mitigating the known impacts:

1. Education - To advise gear users and interest groups of the nature and scope of the marine debris problem.

2. Collection of Information - Studies should be undertaken to:

   - Assess impacts on marine resource
   - Determine sources and distribution of debris
   - Determine fate of lost gear and debris
   - Develop means of identifying derelict gear
   - Obtain worldwide data on vessel disablement as a result of marine debris
   - Plus related projects, including conservation engineering studies

3. Mitigation - Regulate disposal and use of materials that can impact resources; investigate the use of biodegradable materials in gear construction; clean up beaches where interactions between marine species and debris is likely to occur.

b) Funding for the entanglement program is not included in the NMFS FY 1986 budget request. Additional expenditures are not needed. Current studies will soon provide information to allow us to address the problems more effectively.

QUESTION:

In support of ratification of the new Pacific Fur Seal Treaty, NOAA has argued that it is net entanglement and not the seal harvest which is a major contributor to the seal population decline.

Why then has NOAA not requested, and indeed eliminated, funds provided by Congress to address this problem?

ANSWER:

NMFS believes that additional expenditures are not warranted at this time. Current studies will provide information to define the nature and extent of the problem and will serve to make efforts to address the problem more effective. We further believe that clean-up activities on a widespread basis would be prohibitively expensive and that the U.S. should focus on prevention programs using available laws, treaties, regulations, etc., and particularly on educational information programs directed at appropriate marine user groups.

QUESTION:

This budget proposes to redirect $1.5 million from Marine Mammal/Endangered Species activities to the Fisheries-Oceanography Coordinated Investigations Program (FOCI). As I understand it, this leaves no money for small whale assessment, fur seal and bowhead research, and international treaty support. It also severely reduces research on the endangered Hawaiian monk seal.

What is NOAA's justification for eliminating and reducing these critical marine mammal programs?

ANSWER:

Recognizing the need to reduce the Federal budget, NMFS has had to establish priorities for the type of work which can be supported at the proposed budget levels. Highest priority for marine mammal research was assigned to studies on marine mammal/fishery interactions with the major emphasis being to assist in issuing permits to domestic fishermen that are participating in fisheries that have significant marine mammal interactions. The need to understand the interrelationship of stock recruitment success and distribution with climate, as a basis for improving our ability to predict fluctuations in resource abundance, was considered to be relatively higher priority than the items proposed for reduction. The proposed budget level for protected species activities of $6,976,000 (research and management) will allow us to meet our responsibilities under the Marine Mammal and Endangered Species Acts.

QUESTION:

While I support the concept of NOAA's new FOCI program, I am concerned about redirecting $3 million for this purpose from three other important programs. By NOAA's own admission, reducing funds from meteorological research will slow efforts to improve forecasting models and to evaluate new remote sensors. Funds are also proposed to be taken from the Global Atmospheric Research Program (GARP) and what NOAA is calling "lower priority" marine mammal research. I am glad that NOAA finds the initiation of a new fisheries program important after the massive cuts we have seen in the past (and, I might add, in this very budget request). I question, however, cutting other programs for this purpose.

Please comment.

ANSWER:

Given the size of the Federal deficit and our mutual interest in reducing Federal spending, I'm sure you recognize how difficult it is to initiate any new research programs at this time. All programs—new or continuing--must be reviewed in terms of need, Federal responsibilities, relationship to NOAA's missions, potential for progress, and anticipated benefits to the taxpayer. Using these criteria, we believe that a concentrated fisheries-oceanography research program should begin now. The potential economic benefit associated with improving our ability to accurately predict stock levels in major U.S. fish stocks are, as I'm sure you know, quite significant. Helping the U.S. fishing industry make sound decisions on which species to harvest at any given time will undoubtedly provide a significant boost to a currently depressed industry. Optimum U.S. use of our vast fisheries resources is a goal which we take very seriously and we believe that FOCI is vital to achieving that goal.

After looking at the Agency's budget as a whole, we felt that small decreases could be made in other areas in order to fund this highest priority effort. The reduction in meteorological research will not detract from our high priority efforts to improve meteorological observations and forecasting. The reduciton in GARP/FGGE funds will not affect NOAA's internal use of the FGGE data set for research to improve near-term climate reduction and extended-range weather forecasts. Similarly, we feel that the importance of FOCI to improved fisheries management justifies the deferral of lower priority marine mammal research. Even with this reduction, the FY 1986 Budget maintains a $7 million program to meet our marine mammal research and management responsibilities.

QUESTION:

Fisheries scientists and managers continue to assert that implementation of fisheries management plans does not cost less than plan development.

Can NOAA provide the Subcommittee with studies or analysis to refute this assertion?

ANSWER:

Although no studies are currently available to support this asssertion, it is the judgment of fisheries managers that over the several years as the Regional Council role changes from plan development to monitoring plan implementation, the Council workload, i.e., number of meetings and public hearings, will be less, and that operational costs involved with plan implementation will be less.

QUESTION:

Please comment on the Council's proposal that they could manage their fisheries at a lower cost and more effectively if funds were transferred to them from the National Marine Fisheries Service.

ANSWER:

It is not possible to assess the validity of this assertion without benefit of the functional cost breakout for the Council proposal. We have been working with the Councils to improve the fishery management/regulatory process and have made significant progress in streamlining the process within legislative constraints. If the Councils have additional recommendations on how fisheries management can be made more cost effective, we would appreciate any help they can provide. It should be noted, however, that Federal regulatory authority resides with the Secretary of Commerce. The proposed transfer of this management authority to the Councils, which are presently constituted as an advisory body to facilitate pre-regulatory notice and comment and public participation in fishery management plan development, would require significant changes in current Federal legislation.

QUESTION:

NOAA's FY 1986 budget request reduces the habitat conservation program's funding by 42% from the FY 1985 level.

How will the National Marine Fisheries Service continue to provide high quality environmental assessment and impact analyses to agencies such as the Army Corps of Engineers, the EPA, and Bureau of Reclamation with such a funding decrease?

ANSWER:

At the proposed program level, NMFS will focus its habitat conservation efforts on a few selected projects with potential for severe damage to fisheries resources and those proposals which may be precedent-setting in nature. The proposed level of funding for habitat programs of $9,370K (research and conservation) will allow for high priority habitat environmental assessments and impact analyses to be provided to other Federal agencies.

QUESTION:

The world catch of Atlantic Salmon has decreased 42% from 1967-1982. Acid rain, interception fisheries, and overfishing have all contributed to the decline. The U.S. has the responsibility as a member of the North Atlantic Salmon Conservation Organization (NASCO) to conduct a research program that complements other treaty member's programs, and one that adequately protects our investments in the fishery.

How do you expect the U.S. to meet its treaty obligations if this program is terminated?

ANSWER:

Although no Atlantic salmon research would be continued under the proposed budget, the U.S. Commissioner to NASCO from NMFS would continue to participate in NASCO meetings. The NFMS would continue to participate in International Council for the Exploration of the Seas (ICES) work on Atlantic salmon by attending meetings and exchanging scientific information. Finally, NMFS would continue to assemble and analyze data to prepare reports for NASCO meetings.

QUESTION:

As you know, the U.S. has just ratified the Pacific Salmon Treaty. Implementation of the treaty requires funding for salmon fishery research. Is the National Marine Fisheries Service prepared to conduct and fund such research?

ANSWER:

NMFS/NOAA is presently reviewing the costs for implementing the Pacific Salmon Treaty. Should additional resources be required, a request will be forwarded to the Department of Commerce for their approval and submission to OMB. Upon approval by OMB, if additional resources are required, a budget request would then be transmitted to Congress.

QUESTION:

Please provide for the record the total amount on salmon research over the past 5 years from all agencies (i.e. fish and wildlife service), and a breakdown of NOAA's salmon research projects and funding levels over the time period.

ANSWER:

a) U.S. SALMON (AND STEELHEAD) RESEARCH FUND ESTIMATES (1981-1985)

AGENCY	FISCAL YEAR 1981	1982	1983 ($ THOUSAND)	1984	1985
NOAA	$2,813	$4,684	$4,774	$4,748	$4,846
OTHER*	13,128	13,714	14,846	9,425	9,754
TOTAL	15,941	18,398	19,620	14,073	14,400

* Includes:
- Oregon Department of Fish and Wildlife
- Alaska Department of Fish and Game
- Columbia River Intertribal Fisheries Commission
- United States Fish and Wildlife Service
- Washington Department of Fisheries
- Washington Department of Game
- Washington Tribal Coordinating Body
- International Pacific Salmon Fisheries Commission
- Idaho Fish and Game
- California Department of Natural Resources
- Bureau of Indian Affairs

Sources: "Salmon and Steelhead Advisory Committee Cost Survey" 1981 and personal communication.

b) NOAA's salmon research for the period is detailed as follows:

PROJECT	FY 81 ($K)	FY 82 ($K)	FY 83 ($K)	FY 84 ($K)	FY 85 ($K)
U.S./Canada Salmon Treaty	...	$ 1,200	$ 1,200	$ 1,200	$ 1,200
Japanese Salmon Interceptions	...	250	250	250	250
Alaska Salmon Migrations	1,266	1,266	1,382	1,269	1,234
Prohibited Species (Salmon)	214	214	217	218	220
Juvenile Survival	878	1,031	1,070	1,050	1,070
Smolt Enhancement	334	409	420	432	442
Salmonid Diseases	121	126	129	129	130
Smolt Survival	...	100	100	100	100
Atlantic Salmon	...	0	0	100	200
Management Harvest Research (P.L. 89-304)	...	88	6	0	0
	2,813	4,684	4,774	4,748	4,846

QUESTION:

NOAA currently spends approximately $50 million annually on a broad spectrum of estuarine research activities. Last year the agency established the National Estuarine Program Office under NMFS in order to improve coordination of estuarine ecosystems assessment and research activities. Would you please update the Committee on the status of the Estuarine Program Office. How big is this office and how many staff have been assigned to support its' activities?

How are the activities of the office coordinated?

ANSWER:

a) The Estuarine Program Office has an operational budget of approximately $280K and consists of 4 1/2 staff, including 1 secretary. An additional 4 full-time individuals are on temporary details of varying durations with the program office. The Estuarine Program Office is coordinating the $1.5M Chesapeake Bay Study contracts and works through other NOAA Line Organizations to coordinate estuarine ecosystem assessments and related research activities.

b) The Estuarine Program Office coordinates its activities through meetings and joint project planning sessions with the other NOAA Line Organizations, the States, EPA and other Federal agencies. Personal contacts are maintained with appropriate program personnel as well as having individuals from other organizations detailed to the estuarine program staff for various lengths of time. The Estuarine Office has also instituted an "Estuary of the Month" seminar to keep interested parties in Washington informed of current issues and activities in the estuaries.

QUESTION:

Please provide the subcommittee with a list of the Administrator's FY 1986 increases arranged by priority.

ANSWER:

1. ASOS/AWIPS
2. GOES spacecraft and launching
   Management of Metsat project
   Procurement of additional GOES
3. GOES ground system improvements
   Expand GOES data collection capacity
4. PROFILER
5. RITS
6. Multi-Beam survey system
7. FOCI
8. Next generation water level measurement system
9. Polar convergence

QUESTION:

The Global Weather Experiment (FGGE) Program was designed to improve long-range weather and short-term climate forecasting based on data collected from satellites aroung the world. As I understand it, field observations have been completed and the data is currently being analyzed. NOAA has proposed to eliminate its share of support in FGGE, which, at present, is jointly funded by NSF.

a) What impact will this "accelerated phase-down" have on the program?

b) Does NSF plan to pick up NOAA's share?

ANSWER:

a) The emphasis in FGGE research is shifting from improvement of mid-term (3-5 day) forecasts to longer-term forecasts and near-term climate prediction (30 days), and it is merging into the World Climate Research Program (WCRP). NOAA will continue to use the FGGE data set for research to improve near term climate prediction and related extended-range weather forecast under WCRP.

b) No, we are not aware of any plans for NSF to pick up NOAA's share of FGGE research in FY 1986. Reducing the level of NOAA funding for FGGE research will simply extend out the data analysis phase.

QUESTION:

$70 million of the Administration's increases in the FY 1986 budget request are for 5 geostationary operational environmental satellites (GOES).

Since two of these satellites are not needed for at least 9 years, shouldn't a portion of these costs be deferred? (Why or why not?)

ANSWER:

Procurement of GOES satellites has been structured in a manner that will consider the long-term requirements for geostationary environmental data, and place the GOES program on a firm operational footing. Procurement of satellites in lot buys that exceed our minimum needs accomplishes two program goals. First, it allows us to recover, should we be faced with a disaster such as resulted from the GOES 5 failure. With additional satellites stored on the ground, it is a reasonably simple matter to replace a satellite that has either failed to achieve orbit or has failed prematurely. Programatically then, it is absolutely necessary that satellites be available, to guarantee continuity of service for an operational system. These "spare" satellites would be kept in storage and only committed to use when required to maintain service. Second, "large" lot buys of satellites reduce the per unit cost. If satellites in a three unit buy can be shown to cost, say $50 million each, it is reasonable to expect that two additional satellites, ordered at the same time, will cost only about $30-$35 million each — a not inconsiderable savings. Not only do we receive the economies of scale associated with a multi-unit buy, but we also avoid inflationary effects and a requirement to redesign a satellite in the future because components are no longer being manufactured. Thus, if the same two satellites were to be procured, say 5 years later, the cost would be expected to rise significantly above the $50 million each for the first three spacecraft today.

To maintain an operational program, and to keep costs to an absolute minimum, funds for the additional satellites requested in the FY 1986 budget should not be deferred.

QUESTION:

The Defense Department, like other agencies and private entities, find the services of SEL vital in solar event forecasting and warning.

Does NOAA find that demand for information that SEL provides will increase in the future?

ANSWER:

Yes, based on the following observations:

- the numbers of government and private sector users of the commercial satellite broadcasts of forecasts, warnings, and data summaries are steadily increasing.
- NASA continues to rely on SEL to support scientific missions, such as the SMM satellite, as well as all of the Shuttle missions. Shuttle missions are becoming more frequent (24 per year by 1988), and polar orbiting missions will begin in 1986. Polar orbits are more susceptible to radiation hazards, which will increase the need for SEL services. The manned Space Station will require space environment support when launched in the 1990's.
- DOD's requirements should not decrease, and probably will increase when DOD shuttle missions go into polar orbits in 1986.
- Private sector users have increased in number in the last few years, including the addition of several commercial satellite companies, and many geophysical prospecting companies. NOAA expects this trend to continue.

QUESTION:

Other agency users of SEL services report that the benefits and cost savings are huge compared to the current funding level of SEL.

What effects will NOAA's proposed cuts have upon developing newer forecasting techniques and meeting the demand of users in the future?

ANSWER:

NOAA's budget contains sufficient funds to provide forecasts and warnings 24-hours a day, seven days a week. Fundamental research in the solar-terrestrial sciences will continue to be supported by other agencies including DOD and NASA. The results of that research should be available to NOAA for application to forecasting techniques.

QUESTION:

In talking with other agencies currently involved with the Space Environment Laboratory, serious questions arise as to the ability of SEL in maintaining seven-day, 24-hour operations with a reduction in funding.

What indications or evidence do you have that present services can be maintained?

ANSWER:

The NOAA budget for FY 1986 is the amount NOAA has identified as necessary for 24 hour-a-day, 7 days-a-week forecast and warning activities at the Space Environment Laboratory.

QUESTION:

With an increase in charting fees to reflect the actual costs in providing navigational maps, does NOAA believe that they will continue to sell as many at higher costs?

ANSWER:

NOAA does not anticipate at this time any substantial drop in sales of its charts as the result of proposed price increases. A recent marketing study of nautical services and products showed commercial sales remaining constant with some reduction in sales to recreational users if chart prices were increased to recover more than printing and distribution costs. The results of a market study of aeronautical services and products now underway are expected within the next few months.

QUESTION:

Has an A-76 study been performed on the charting services now done by NOAA? If it has, when will a report be issued?

ANSWER:

A-76 reviews are currently underway for the charting services being performed by NOAA's Atlantic and Pacific Marine Centers, the Marine Chart Branch, the Aeronautical Chart Branch, and the

Reproduction Branch. Management efficiency studies were conducted by outside consultants and have been completed for most of these activities. The consultant's reports contained recommendations outlining the most efficient organization to continue the charting functions in-house. The reports also contained recommendations regarding which charting functions might be cost compared for performance by the private sector.

NOAA is now in the process of developing performance work statements to describe the charting services that could be performed by the private sector. The performance work statement will be a key element in the procurement solicitation. It will provide the basis for the cost comparison and the resulting decisions as to whether it will be more cost advantageous to retain the services in-house or have them performed contractually.

A revised milestone schedule for these studies calls for the cost comparisons to be completed by February 1986. Activities approved for contract operations will be implemented approximately 4 months following the cost comparison decision.

QUESTIONS SUBMITTED BY SENATOR HOLLINGS

PRIVATIZATION OF EXISTING FEDERAL LAND REMOTE-SENSING (LANDSAT) SYSTEMS

Mr. Calio, Mr. Stockman recently came to the Hill to inform Senate Republicans of his opposition to the proposed contract between the Department of Commerce and EOSAT (Hughes and RCA) to privatize the existing Federal Land Remote- Sensing System (LANDSAT).

QUESTION:

Would you please inform the Committee as to whether or not Secretary Baldrige intends to appeal OMB's objections to the EOSAT contract to the President?

ANSWER:

The Secretary is exploring several possible courses of action in response to Mr. Stockman's objections to the EOSAT contract.

QUESTION:

Wasn't the privatization of LANDSAT an important first step in President Reagan's program to get the private sector involved in commercial space activities? Won't OMB's decision severely affect any future efforts to commercialize or privatize other Federal Systems?

ANSWER:

The Department of Commerce is committed to the President's initiative to commercialize space and is working to make the Landsat transfer an element of this initiative. A contract that meets both Government and private industry needs is currently being negotiated. Regardless of the outcome of the Landsat transfer, the President remains committed to involving the private sector in commercial space activities, and the outcome of the Landsat effort should have no direct effect on other commercialization efforts.

In his presentation to the members of the Senate, Mr. Stockman made several arguments as to why the contract should be rejected and why no Federal transition funds, so-called susidies, should be provided to any contractor.

QUESTION:

Would you please comment on the following OMB arguments including:

1. Landsat is a 13-year old research and development program that can't achieve commercialization liftoff without continued deep Federal subsidies;
2. The cash flow requirements for profitable Landsat commercialization far exceed likely market;

3. The proposed contract does not require EOSAT to risk any of its own funds and allows EOSAT to withdraw unilaterally from the contract if it can't make 60% of its revenue estimates; and

4. There is no significant Federal market or private market for LANDSAT data.

ANSWER:

"Landsat is a 13-year old research and development program that can't achieve commercialization liftoff without continued deep Federal subsidies."

There have been thirteen years of research and development in the Landsat program. But it has not been thirteen years of a static program. Over that thirteen years the technology has improved dramatically. The latest technology (the Thematic Mapper) began regularly producing data for the first time in 1984 with the operation of Landsat-5 and was declared operational seven months ago. Data still have not been obtained from some parts of the world.

The Department of Commerce believes Landsat can achieve commercial success with a one time "investment" by the Government of $286 million. That is the deal negotiated with EOSAT. The Government would invest no additional funds, except as a normal customer for data. That is not a situation of "continued deep Federal subsidies."

"The cash flow requirements for profitable commercialization far exceed the likely market."

The Department of Commerce does not concur with Mr. Stockman's conclusion. Every published projection of the Landsat market exceeds the minimum income needed by EOSAT to stay in the business. Any projection less than that must assume that a $70 million investment in marketing will have no noticable results. Such an assumption is not realistic.

"The proposed contract does not require EOSAT to risk any of its own funds and allows EOSAT to withdraw unilaterally from the contract if it can't make 60% of its revenue estimates."

This statement is misleading in part and incorrect in part. We have no objective of forcing private sector investment in anything. We are trying to arrange an industry/government partnership to keep the U.S. preeminence in land remote sensing while moving the ultimate financial burden of supporting the system into the private sector and establishing a new cluster of businesses. The contract is merely the vehicle by which the partners agree on what each will do.

The contract does not and should not "require" EOSAT to risk any of its own funds. No sensible Government contract should "require" a business to do that. They should be allowed to invest according to the needs of the business, not according to the dictates of a Government contract.

However, EOSAT will willingly risk substantial sums of its own money on the expectation of a return on its investment. To make a successful business EOSAT will need to make a substantial investment. EOSAT has already invested considerable funds in preparing its bid and continually meeting changing Government conditions. They will have to invest $30 to $40 million more in the early years of the program with the expectation of recovering that investment from income generated by the business, just like any other business. They also have an overall projected investment (partly from capital and partly from income put back into the business) of over $300 million. Like any new business, they take substantial risks.

EOSAT cannot unilaterally withdraw from the contract. They cannot withdraw from the entire contract in any case, and they cannot withdraw from any of it without considerable negotiation with the Government. They must build and launch two spacecraft at a fixed price to the Governnment. They cannot withdraw from that commitment. If the cumulative income does not reach 65% of the projection in the early years, and 60% in the later years, they may renegotiate with the Government the marketing and operations portions of the contract. They may not renegotiate the hardware portions of the contract. Only if the business is a failure and they cannot renegotiate the contract with the Government to reduce their financial commitment, can they withdraw. Even then they can only withdraw from the marketing and operations portion of the contract.

Even in this very worst case, the Government is left with operating satellites and likely enough income to operate them.

"There is no significant Federal market or private market for LANDSAT data."

The Department of Commerce does not concur with Mr. Stockman's statement. The market has not been developed, but the potential is there. No projection that has ever been published, including the Source Evaluation Board's conservative estimate, would lead to this conclusion. All of them project substantial revenues.

No Federal agency would guarantee to buy data. Such guarantees were not allowed under the terms of the procurement. But many will buy data for their needs.

SECOND POLAR ORBITER

QUESTION:

When OMB Director Stockman met recently with several senior Republican senators to inform them that the Administration would oppose FY 1986 funding for LANDSAT, he reportedly agreeds to support funding for the second polar- orbiting environmental satellite. When will the Administration be submitting a budget revision for the second polar orbiter and in what amount?

ANSWER:

The Department has not received word that the Administration is now supporting the second polar-orbiting satellite.

QUESTION:

Last year I introduced a resolution aimed at increasing our ability to predict tornadoes, downbursts, severe squall lines, thunderstorms, and other "storm-scale" weather. This STORM resolution passed the Senate by unanimous consent. Has NOAA developed a long-range plan for implementing this storm-scale weather forecasting capability? What elements in the Administration's fiscal year 1986 budget will help improve such forecasting capability?

ANSWER:

An interagency/university group with NOAA participation has prepared a STORM-Central Phase Preliminary Program Design, which provides objectives, requirements, overall strategy, schedule, and costs for the first phases of the National STORM Program.

The STORM-Central document reflects the broad, substantive roles of National Science Foundation, National Aeronautics Space Administraion, and several other agencies, plus many universities.

The STORM Planning Office was established in Boulder, Colorado, November 1984.

The Administration's FY 1986 budget requests an increase of $3 million (to provide a base of $6.05 million) to deploy and test Wind Profilers to measure vertical profiles of wind speed and direction remotely, automatically, and continuously. These instruments are critical to the data needed for improve storm-scale forecasting.

The Administration requests continuation of the Program for Regional Observing and Forecasting Services (PROFS) which is developing an advanced forecasting workstation at $2 million. NOAA base programs at National Severe Storms Laboratory in Norman, Oklahoma, Weather Research Program in Boulder, Colorado, mesoscale modeling at Geophysical Fluid Dynamics Laboratory in Princeton, New Jersey, and the Hurricane Research Division of Atlantic Oceanographic and Meteorological Laboratory in Miami, Florida, are all contributing to improving mesoscale forecasting.

QUESTION:

The CZMA repeatedly expresses the national importance of effectively managing and protecting the coastal zone. The Act also establishes a federal obligation to assist the states in both development and implementation of their management plans. In light of this clear Congressional directive, please explain the termination of state assistance programs in the 1986 NOAA budget.

ANSWER:

The Administration recognizes the importance of effectively managing and protecting the coastal zone. For that reason we have requested reauthorization of funding for those activities that still require Federal financial assistance. Reauthorization is requested for the Estuarine Sanctuary Program, a program which is still in the site acquisition stage, and the staff necessary to oversee CZMA programs to assure that the national interest is met and that state programs remain approvable.

We believe that, as a matter of policy, the Federal government has met its funding obligations to the states for the development and implementation of CZM programs through the expenditure of over one half billion Federal dollars since FY 1974. In 1980, the Congress saw fit to phase out Section 305 program development funds. In a like manner, we believe the time has come to phase out Federal funds for program administration now that twenty-eight programs have received approval.

The elimination of Federal funds neither abrogates the Federal Government's clear responsibility to protect the national interest in the coastal zone, nor reduces our ability to protect that interest. First, we expect that most, if not all, states will remain in the program, and all approved state programs have policies that take into account the national interest. Second, we do not believe that without Federal funds, state programs will refuse to address the national interest. As a practical matter, in most cases what is in the national interest also is in a state's interest. Even in states without an approved CZM program this is so. Texas and its offshore oil and gas activities is a case in point.

Third, there are many legislated policies that reflect national interest concerns such as energy development, waste disposal, and wetland protection. In practice, the issues that usually arise between states and the Federal Government over these issues are arguments that the national interest has superseded state interest, not that states have thwarted the national interest. For this latter reason we believe that most states will want to continue their programs and have access to the consistency provisions of the Coastal Zone Magementment Act. As a result, the national interest will be adequately protected.

FISHERY PROGRAMS

When the National Fisheries Institute testified before the subcommittee last month, they registered their concerns about the reductions in NOAA's information collection and analysis catgegory.

QUESTION:

NOAA proposes to eliminate $28,000,000 out of the current budget of about $82,000,000. While your budget indicates that this reduction would result in closing 5 of the 22 major fishery laboratories, NFI believes that the labs in Milford, Sandy Hook, Beaufort, Portland, and Auke Bay, "Would receive only token funding to keep them technically open." Mr. Calio, is NFI's analysis correct that "only a handful of fishery laboratories would be able to conduct any real research under the proposed NOAA budget?"

ANSWER:

No, the NFI analysis is not totally accurate. Based on the proposed funding level in the FY 1986 budget, five laboratories and the Portland, Oregon, office would be closed. As for the remaining 16 facilities, funding is request to support the conservation and management programs of the National Marine Fisheries Service consistent with the overall budget request. In cases where proposed reductions reduce current facility funding by over one-half (Milford, Sandy Hook, Beaufort and Auke Bay), NOAA would examine the feasibility of consolidating research activities conducted at some laboratories to ensure adequate staffing and efficient operations. To say that only a handful of fishery laboratories have either no reductions proposed or only small reductions proposed from their current operating levels.

QUESTION:

Please provide a listing that shows, for each of NOAA's laboratories, the amount of research funds available in fiscal year 1984 and the estimated amounts for fiscal years 1985 and 1986. Please describe the research being curtailed at each laboratory slated to receive less research funding in fiscal 1986.

ANSWER:

A listing of NOAA fisheries research laboratories and estimated amounts of research funds available and a description of the research conducted at these laboratories follows:

Funding

(Dollars in thousands)

NORTHEAST	FY 84/ FY 85	PROPOSED FY 86 REDUCTIONS	
Gloucester Tech. Lab	$1,465	-$1,465	Lab closed
Woods Hole Lab	8,121	-815	
Narragansett Lab	2,488	-264	
Milford Lab	1,919	-1,402	
Sandy Hook Lab	4,081	-2,459	
Oxford Lab	759	-759	Lab closed
Systematics Lab	309	-0	

SOUTHEAST

Beaufort, NC Lab	1,770	-975	
Charleston Lab	2,582	-775	
Miami Lab	5,777	-4445	
Panama City Lab	673	-0	
Pascagoula Lab	2,793	-928	
Bay St. Louis Lab	699[1]	-193[1]	Lab closed
Galveston Lab	995	-995	Lab closed

SOUTHWEST

La Jolla Lab	6,960	-1,075	
Tiburon Lab	1,004	-1,004	Lab closed
Honolulu Lab	3,275	-550	

NORTHWEST and ALASKA

Seattle Lab	14,036	-5,944	
Auke Bay Lab	4,994	-3,594	
Portland Facility	2,195	-1,700	close office
Kodiak Lab	1,546	-123	
Marine Mammal Lab	2,011	-300	

[1] Remaining funds planned for transfer to Pascagoula Laboratory or other locations.

Activities Description

Northeast

o Gloucester Technology Lab

The Gloucester Laboratory cooperates with the American fishing industry and representatives of the consuming public to obtain the maximum benefits from seafood by increasing the available quantity and quality of fish and shellfish. It works with representatives of the fishing industry and consumers to apply available technology towards increasing the yield of commercially processed fish and to find ways to make use of the large variety of relatively unused marine species. The Laboratory works also to improve the quality of seafoods by studying the changes that take place during storage, and by designing handling, processing and preservation techniques that reduce adverse changes and enhance desirable product characteristics. It conducts and coordinates fisheries engineering and conservation gear development programs.

o Woods Hole Lab

The Woods Hole Laboratary conducts and coordinates resource assessment and marine ecosystems and environmental research programs. Assessment activities include determining the abundance, distribution and surplus yields of selected finfish, shellfish and crustaceans of the northeast waters. It develops and integrates fishery and bioeconomic data for the construction of fishery management decision models. The marine ecosystem programs include studies on the inter-and intra-specific associations affecting actual and potential production of northeast marine species. The Laboratory performs studies of food chains and trophic exchange among benthos, plankton and nekton with reference to circulation dynamics. The environmental studies involve physical oceanographic studies and the effects of natural and human-induced variations on the productivity of marine species and ecosystems.

- Narragansett Lab

  The Narragansett Laboratory conducts research on the inter- and intra-specific associations affecting actual and potential production of the fish biomass of the northwest Atlantic. It studies trophic exchange among benthos, plankton and nekton and oceanographic dynamics to provide estimates of fish production and forecast biomass levels. The Laboratory conducts studies on marine species with recreational potential and investigates the physiology, metabolism and survival of larval, juvenile and adult fishes; it conducts research on the plankton populations and on the growth, mortality and availability of the principal fish stocks in the northwest Atlantic.

- Milford Lab

  The Milford Laboratory conducts aquaculture research and experimental biological research on the physiological and genetic effects upon growth and survival of selected species. Its studies concern nutrition of algal foods, genetic selection, disease and predator control in larval mollusk culture, and the physiological and biochemical effects of pollutant stress; and it conducts research on environmental chemistry and microbioilogy.

- Sandy Hook Lab

  The Sandy Hook Laboratory conducts and coordinates resource and environmental assessment and marine ecosystem research programs. The assessment activities are primarily directed towards studies of recreational fisheries and life histories of selected species from the middle-Atlantic waters. The ecosystem program includes studies on the inter- and intra-specific associations affecting actual and potential production of middle-Atlantic marine species, with particular emphasis on those with recreational potential. The laboratory performs studies of trophic exchange among benthos, plankton and nekton with reference to circulation dynamics. The Laboratory environmental assessment activities are concerned also with determining the impact of human induced change upon the abundance and distribution of marine organisms. It conducts surveys and analyses on food chains, the zoogeographic distribution of benethic and phytoplanktons and the distribution of nutrients and toxins, and the effects of environmental factors on the behavior of marine species; and it makes recommendations to agencies and interests involved with environmental assessment decisions.

- Oxford Lab

  The Oxford Laboratory conducts pathobiological research on all aspects of disease affecting living marine resources. It studies natural and human-caused environmental influences on marine disease, the impact of disease on marine populations, and the development of effective disease prevention and control measures in mariculture and in natural populations. The Laboratory conducts research on assessment of shellfish populations.

- Systematics Lab

  The National Systematics Laboratory conducts research on the systematics of selected marine and fresh water organisms of economic or ecological significance. Activities include: preparing taxonomic revisions which are sufficiently comprehensive to allow identifications to serve as a basis for subsequent ecological studies; conducting anatomical studies that serve to document classifications; preparing synthetic regional studies designed to integrate existing knowledge with the results of new research; and contributing to the characterization of biogeographic complexes.

Southeast

- Beaufort Lab

  The Beaufort Laboratory has two principal areas of responsibility. The first is to obtain and analyze biological, economic and statistical information on commercial and recreational fisheries. These efforts emphasize the collection and analysis of data to describe the status of exploited and latent resources. Current activities include: (1) annual estimation of stock sizes, fluctuations in abundance and fishing rates in the Atlantic and Gulf of Mexico menhaden fisheries; (2) population dynamics, life history and resource potential of offshore bottom communities of snappers, groupers, porgies, and grunts; (3) distribution, age and size, movements, catch and effort of Spanish, king, and cero mackerels; and (4) assessment of effectiveness of natural and artificial reefs in providing recreation and seafood fishing sources. The second responsibility is to determine the structure and function of estuarine and the nearshore ecosystems to evaluate their fishery resources productivity and the effects of human activities on these resources. Because estuarines support a large proportion of commercial and recreational fishery species during some stage of their life cycle, and because these areas receive a variety of wastes from the rapid human population growth and the development of the coastal zone, an understanding of the ecological process governing the total productivity of these ecosystems and the effects of habitat alterations and waste materials on those processes is essential. This knowledge is used to evaluate environmental impact statements and to develop recommendations for coastal zone management. Current activities include: (1) assessment of species structure, biomass composition, diversity and trophic energetics of the ecosystem; (2) determination of major pathways and rates of flux for contaminants of human origin, especially heavy metals, radionuclides and pesticides; and (3) determination of the effects of contaminants, alone or in combination, on estuarine and marine organisms over their environmental range and their responses to habitat alterations.

o Charleston Lab

The primary responsibilities of the Charleston Laboratory are to develop and provide technological information and related services to aid in the economic and safe utilization of fishery resources of the Southeast U.S. These responsibilities embody providing for improved detection capability for chemical and microbiological public health vectors and evaluations of their significance; identification of nutrients present in industrial fishery products to provide guidance in their processing and marketing; identification of critical nutritive requirements for the culture of selected aquatic species, e.g., crustacean species and others as identified; developing a technological information base necessary for rational fishery development; and providing for increased public awareness and confidence in fishery products. Current activities include: (1) analyzing the effects of trace metal microconstituents and microbiological contaminants in the utilization of fishery resources; (2) updating and developing new information on the chemical composition and nutritional quality of industrial fish products and identifying new venture options; (3) determination of nutritional requirements which are critical to the development of cost-effective, nutritious feeds for the cultured crustaceans (macrobrachium); and (4) development of processing, composition, and storage information requirements needed for developing human food markets for latent and underutilized species.

o Miami Lab

The Miami Laboratory conducts research in the areas of fishery analysis, recreational fisheries, economics and environmental impact. Emphasis is given to tropical and subtropical species, particularly those involving U.S. fishermen in foreign waters. Information developed by ongoing activities is used to support various international agreements and negotiations. Current activities include: (1) analysis of bluefin tuna and billfish recreational fisheries; (2) studies of commercial fisheries sensitive to international pressures; and (3) analysis of effects of environmental alterations in subtropical waters.

- Panama City Lab

  Major responsibilities of the Panama City Laboratory involve recreational fisheries and environmental analysis. This Laboratory is conducting research on the distribution, abundance and migratory patterns of mackerels, snappers, groupers, and related dermersal species. Environmental research includes ecological investigations in the Northern Gulf of Mexico in response to oil exploration under reimbursable contracts, and benthic fauna, sedimentology, and hydrology analyses.

- Pascagoula and Bay St. Louis Labs

  Mississippi Laboratories manage and direct Laboratory activities and ensure adherence to Southeast Fishery Center, regional and National Marine Fishery Service policies and guidelines; they formulate and administer policies and guidelines for developing, implementing, evaluating and coordinating activities and functions; they plan, allocate, and manage SEFC resources assigned and ensure that national functions are appropriately administered and implemented. The major activities include the operations of the fisheries technology lab at Pacagoula to support the fish inspection program and gear and technology development at Bay St. Louis.

- Galveston Lab

  The primary responsibilities of the Galveston Laboratory are to develop an assessment data base on shrimp and fish biology, culture and related economics and to conduct investigations concerning environmental impact and coastal zone management. Because of their economic importance, shrimp receive emphasis in areas of aquaculture, nutrition and disease control. Environmental and coastal zone management activities deal primarily with the impact of offshore oil production on living marine resources. Current activities include: (1) Northern Gulf of Mexico shrimp fishery analysis; (2) offshore environmental assessment of oil/gas production and estuarine housing development; and (3) culture, nutrition, and disease study of shrimp.

Southwest

- La Jolla Lab

  The La Jolla Laboratory conducts multidisciplinary research to support the Pacific and Western Pacific Regional Fishery Management Councils for the management and allocation of coastal and high seas fishery resources; International Commissions on the allocation of worldwide tuna resources and the development of tuna fishery management strategies; development of efforts to reduce porpoise mortality due to tuna purse seining operations; studies on the biology and population sizes of important commercial and recreational fisheries of the California Current; economic studies to determine the impact of domestic and foreign fishing.

- Tiburon Lab

  The Tiburon Laboratory conducts research related to coastal California fishes, their ecological and environmental interactions and their associated recreational and commercial fisheries; studies on the physiological effects of human induced pollutants; studies concerning marine ecosystems associated with coastal fish communities and the predator/prey relationships within the fish community; studies of the socio-economic impact of recreational and commercial fishing for the Northern California fisheries; the development of underutilized fishery resources; and studies to determine the sources of early mortality for striped bass.

- Honolulu Lab

  The Honolulu Laboratory conducts research to determine the abundance and distribution of central and western Pacific fishery resources; to assess and develop the commercial and recreational skipjack fishery, including feasibility studies for bait resources for the tuna industry; to assist the Pacific Tuna Development Foundation (PTDC) for the development of tuna resources in the central southern, and western Pacific Ocean; to support the Western Pacific Regional Fishery Management council for the management and allocation of fishery resources, to develop economic and statistical data for the optimal management of central and western Pacific fishery resources; and to develop management strategies for all fishing resources of the western Pacific.

Northwest and Alaska

- Seattle Lab

  The Seattle Laboratory assists in solving problems in fisheries technology and utilization for the commercial and recreational fisherman, fish processor, and consumer by providing technical information on composition and nutritional value of fish and fishery products and on methods for their safe handling and improved quality and preservation. It promotes conservation of fishery resources by: reducing waste, improving use of resources now harvested, and by devising ways to use for food those resources now of little or no use. In addition, the lab conducts research on the biology, ecology and population dynamics of fish and provides information on the impact of fisheries harvests and environmental changes on commercial and recreational fishery resources for development of management recommendations or negotiations of preferential positions for the U.S. fishing industry.

- Auke Bay Lab

  The Auke Bay Laboratory conducts research on the biology, ecology, and population dynamics of fish and shellfish in southeast and central Alaska marine waters. It undertakes studies to determine the effects on marine resources of environmental alterations resulting from specific industrial developments throughout Alaskan coastal areas. The Laboratory carries out research on Alaska salmon resources, with emphasis on ocean ranching to supplement depressed natural stocks.

- Portland Facility

  The Portland Facility plans, administers and evaluates the construction, operation and maintenance of hatcheries, fish screens and fishways; clearance of obstructions from streams and other activities necessary to restore and enhance runs of salmon and steelhead in the Columbia River and its tributaries, which have been impeded by dam construciton, as provided by the Mitchell Act. It also provides nationwide engineering services for designing fishways, ladders, and other devices for incorporation into water development projects to protect and maintain anadromous fishery resources. It conducts investigations pertaining to resident and anadromous fish populations in the Columbia and other coastal rivers for the purpose of assessing the effects of proposed water-use projects under the Fish and Wildlife Coordination Act and the Coastal Zone Management Act.

- Kodiak Lab

  The Kodiak Laboratory has primary emphasis on fishery utilization and related industry problems in the Alaska area. It conducts studies related to product safety to provide a basis for utilization options for living marine resources and to assist industry in overcoming problems due to resource failures, product contamination, and pollution. Also resource assessments of marine shellfish in offshore waters of Alaska are conducted.

- Marine Mammal Lab

  The National Marine Mammal Laboratory carries out research on the principal species of marine mammals of U.S. concern to ensure maintenance of the various populations at satisfactory levels. Its information obtained is used by national and international agencies as a basis for management decisions concerning marine mammals.

QUESTION:

The Administration budget calls for a $2 million cut in National Marine Fisheries Service resource surveys. What impact would such a cut have on the fishery resource surveys conducted off the South Atlantic coast?

ANSWER:

The $2 million reduction includes $400,000 used for contract research survey activities with the State of South Carolina. Fishery-independent survey information for South Atlantic reef and groundfish would no longer be available. However, high priority fishery-dependent catch/effort data would still be available for use in developing and monitoring management regimes for these stocks.

QUESTION:

Last year's appropriations act included $1 million for SEAMAP, the new state-Federal cooperative program involving fisheries off the South Atlantic and Gulf coasts. Why did you decide to cut this funding? Are you dissatisfied with the program and if so, why?

ANSWER:

a) The $1 million provided for SEAMAP activities in the FY 1985 appropriation is being used to augment existing state/Federal cooperative resource survey efforts in the Gulf and South Atlantic. The SEAMAP survey activity represents lower priority program efforts in the context of the need to reduce Federal expenditures. This effort is being coordinated through the Gulf and Atlantic States Marine Fisheries Commission. The SEAMAP Program is a mechanism to develop additional stock information. It includes support for the expansion of state surveys to fill coverage gaps in Federal surveys to meet Federal/regional management information needs.

b) No. While the information provided by SEAMAP is valuable, it is of lower priority than the base programs that have been retained. The most basic information required for management of fisheries in the Southeast will continue to be provided.

QUESTION:

What would be the probable impact on fishery statistics collection in the Southeast if your $3.6 million cut in economic and commercial statistics is accepted? Will the cooperative agreement between the National Marine Fisheries Service and South Carolina Wildlife and Marine Resources be affected in any way?

ANSWER:

a) Of the $3.6 million being proposed for reduction in NOAA's fisheries statistics collection program, approximately 50% would effect the Southeast. Consequently, the current level of efforts for joint Federal/state statistics in the Southeast would not be maintained under the proposed FY 1986 budget. The remaining base program of $6 million would continue to collect statistics to support those fisheries under management.

b) Specific discussions have not been held with the State of South Carolina, and no decisions have been taken that would cancel existing cooperative agreements. It is possible that some modification of the cooperative agreement with South Carolina Wildlife and Marine Resources may be necessary.

QUESTION:

The Administration's budget proposes cutting 20 positions and approximately $775,000 from the National Marine Fisheries Service seafood laboratory in Charleston. Am I correct that this would result in roughly a 50 percent cutback in the seafood safety and utilization and development research conducted at that laboratory, considering that charges for the building's lease and utilities cannot be changed much? How would such a cut affect the laboratory's very important work associated with the therapeutic properties of fish in the human diet?

ANSWER:

a) The Administration's budget proposal would reduce lower priority research being conducted at NOAA's fisheries laboratory in Charleston, SC. This reduction would be approximately 50% of the current level of program effort (other than the lease) at the laboratory.

b) Highest priority seafood safety research would continue to be conducted, which may include work on the therapeutic properties of fish. A decision regarding support for this effort will be made during the next few months.

NATIONAL HEADQUARTERS BUILDING

QUESTION:

NOAA has 5,000 employees occupying 1,000,000 square feet in 21 locations in the Washington area. NOAA has never had a true National Headquarters Building, such as the Patent Office, FBI, or similar major organizations enjoy.

Last year the subcommittee, at my request, approved $250,000 to study how we could consolidate NOAA's Washington offices in one location.

How has the $250,000 been used in Fiscal 1985?

ANSWER:

NOAA is using these funds for staff and contractor assistance to provide the agency with information on how best to meet our Washington area facilities requirements. Specific studies include:

(1) An identification of the amount and type of floor space, occupied both currently and as it would be in a consolidated facility. In a single consolidated facility the amount of floor area can be substantially lower than in many scattered locations because of economies of scale. In addition, a consolidated facility would enable NOAA to reduce its space utilization as mandated by GSA.

(2) Investigation of various financing and institutional approaches which might be adopted to provide a consolidated facility for NOAA. Preliminary indications are that there are a number of options other than use of

the Federal Building Fund, the standard Federal building technique which has been rarely available in recent years. These alternatives include;

(a) Perpetual lease: lease of a privately owned consolidated facility built to NOAA specifications.

(b) Leaseback: lease of a private building constructed on Government property to NOAA specifications for 20 years, at which time it becomes Federal property.

(c) Federal development corporation: formation of a Congressionally chartered development corporation formed expressly for the purpose of financing and redeveloping for mixed public and private use at a site such as the Southeast Federal Center, where NOAA would like to be consolidated. An example of this technique is the Pennsylvania Avenue Development Corporation.

(d) Local development corporation: formation of a development corporation under District of Columbia law to finance and redevelop a site in much the same manner as the Federal development corporation.

All of these options are under investigation at this point and further work will lead us toward selection of the most desirable one. It should be noted that some options may require specific Congressional authorization.

(3) Market research into the amount of privately-occupied space which might be anticipated in the development of the Southeast Federal Center as a mixed public/private use center.

(4) Preparation of preliminary design concepts for redevelopment of NOAA's portion of the Southeast Federal Center.

(5) Identification of potential solutions to the short term facilities problems brought on by the termination of leases at the Page Buildings in Georgetown and the Gramax Building in Silver Spring. Initial investigations were aimed at the possible renovation of existing buildings at the Southeast Federal Center to accommodate displaced offices which account for about a third of the NOAA Washington area workforce. This will avoid moving these employees twice and will constitute the first phase of NOAA's consolidation.

QUESTION:

What's going on (regarding moving people from space in leased buildings)?

ANSWER:

NOAA has been notified that the owner of the two Page Buildings in upper Georgetown will not renew his lease with GSA after April 1986. These buildings currently house about 812 NOAA employees. In addition, GSA has indicated that it does not intend to renew its lease ending in April 1986 at the Gramax Building, where 735 NOAA employees are located. Thus NOAA is faced with the involuntary relocation of about a third of its Washington area workforce in a year.

We view this as a serious problem. As indicated above, we have devoted a considerable amount of effort toward finding a solution which provides NOAA with adequate replacement space without making the existing situation worse, is economical for the Government, and assists in achieving our objective of consolidation of the agency's facilities.

Two possible alternatives include:

(1) Renovate existing Federally-owned buildings for NOAA occupancy: NOAA has proposed to GSA that two structures at the Southeast Federal Center be rehabilitated to accommodate the displaced offices. This would have initiated the total NOAA facilities consolidation, saving both NOAA and the Government significant money in overtime, and avoiding the need for two separate moves. GSA rejected this proposal because it had assigned the space to agencies of the Department of Defense.

(2) Lease replacement space in privately-owned buildings: GSA has proposed this avenue as a short-term solution, while indicating that it will cooperate with NOAA in developing a plan for ultimate NOAA consolidation at the Southeast Federal Center.

QUESTION:

Where will GSA locate displaced staff from the Gramax and Page Buildings?

ANSWER:

GSA will shortly be seeking to lease about 70,000 square feet of office space in the downtown Washington area to accommodate some of the employees from the Page Buildings, and about 200,000 square feet in the Rockville area to accommodate staff from the Gramax Building and the remainder of the Page Buildings.

QUESTION:

Does NOAA plan to use the new space to establish a headquarters in the usual sense, or will we still have the budget officer, for example, splitting his time between downtown and Rockville?

ANSWER:

NOAA's intent in consolidating its Washington area facilities is to create a single, in-town location for all of our operations. This will reduce costs, increase management efficiency and improve program operations. Achievement of these objectives would eliminate split-office arrangements NOAA has been forced to develop because of the current facilities situation.

QUESTION:

What is the current situation with regard to the $400,000 we approved last year for operation of the Paducah facility?

ANSWER:

Of the original appropriation of $1 million, $400,000 was carried into FY 1985 for operation of the Paducah facility. The $400,000 is being used to operate this facility and local warning radar, which began functioning on October 1, 1984 with a staff of 7 people.

QUESTION:

Are we assured that funds are in NOAA's base for fiscal year 1986 to operate the facility, and specifically, in what amount?

ANSWER:

Appropriated funding of $400,000 for operation of Paducah was eliminated beginning in FY 1985. This facility was operated in FY 1985 with carryover funding of $400,000 from the FY 1984 appropriation. In FY 1986, the $400,000 of operational costs for this facility is available within NWS base funds.

QUESTION:

How do the funds budgeted for 1986 compare to the amount available in 1985?

ANSWER:

The amounts are the same. In FY 1986, NWS will absorb within base funds the operational costs of $400,000 for the Paducah facility. This facility was operated in FY 1985 with $400,000 of carryover funding from the FY 1984 appropriation.

QUESTION:

Will there be any change in the program at Paducah in 1986 from that planned in 1985?

ANSWER:

No.

QUESTIONS SUBMITTED BY SENATOR INOUYE

QUESTION:

We are all concerned with the future of NOAA, especially in light of the current Administration's numerous attempts to make dramatic reductions in the agency's programs and responsibilities. What are your feelings, Dr. Calio, on the future role of NOAA? How is this reflected in the FY 1986 budget which drastically impairs the agency's abilities to perform its current services?

ANSWER:

I believe that NOAA will continue to play an important role in all areas we are currently involved in. Due to budgetary constraints, NOAA's mission is becoming more sharply focused. NOAA is service oriented and is committed to research to support the delivery of these services. The FY 1986 budget reflects our determination to invest in research on technological developments such as NEXRAD, AWIPS/ASOS, and Profiler to assure that we provide timely and accurate forecasts and warnings well into the future.

QUESTION

The Senate Budget Committee recently reported a budget that "freezes" NOAA. There is some confusion, however, over exactly what a freeze means in NOAA's case. As you know, the atmospheric end of NOAA has many built-in cost increases each year because of the nature of the satellite program. This is especially true this year, as the premature failure of GOES-West has created a need for accelerated spending on satellites to fill the coverage gaps. Because of this, to truly freeze NOAA programs at their current level of services it would seem that we have to go above the FY 1985 appropriations level ($1.13 billion), to a level that will maintain current services while accommodating the adjustments to base of the satellite program. Do you agree with this analysis?

ANSWER

Yes.

QUESTION:

If a freeze of NOAA does not translate into an appropriations level greater than the FY 1985 level, it would seem that the built-in increases in satellite spending are bound to result in draconian cuts in ocean programs. To avoid this, would you be willing to divide NOAA's budget into ocean and atmospheric accounts and then freeze each separately, taking satellite adjustments to base into consideration?

ANSWER:

No, we do not believe it is practical to divide NOAA's budget into ocean and atmospheric accounts and then freeze each separately. e FY 1986 budget, as proposed, for NOAA represents a balance between oceans and atmosphere when one considers the need to maintain critical weather forecasts and warnings and the mandatory cost increases for satellites. In the oceans area, it is time to turn over to the private sector or state governments responsibility for programs such as Sea Grant and Coastal Zone Management. A lot of thought went into these budget proposals, and there is no intention of abdicating our role for the oceans.

QUESTION:

In regard to the Regional Fishery Management Councils, does the Administration plan to consolidate the eight existing Councils? If so, I hope that you will reconsider this move, as the current Council system allows for close contact between the Councils and their local fishing constituencies. Centralizing the Councils would prevent this close relationship and cause a less efficient and less responsive system.

ANSWER:

Several options for Council consolidation and cost reduction are being presented for Congressional consideration relative to the MFCMA reauthorization and the FY 1986 budget proposal. The options being considered are summarized in the following table:

MFCMA REAUTHORIZATION
RFMC CONSOLIDATION

	FY 1985 Current Costs*	Council Consolidation (No Compensation)	Savings	Reduced Membership	Savings	Reduced Costs and Membership	Savings
Current Councils	$5,429	$4,738	13%	$5,011	8%	$4,563	16%
Level 1 Consolidation	—	4,772	12%	4,400	19%	3,997	26%
Level 2 Consolidation	—	4,232	22%	3,891	28%	3,510	35%
Level 3 Consolidation	—	3,877	29%	3,536	35%	3,173	42%

ASSUMPTIONS

Reduced Membership means State Fishery Management and one for each State

Level 1: Convert Island Councils into Commissions.
Level 2: In addition to Level 1, Eliminate South Atlantic Council.
Level 3: In addition to Level 2, Eliminate New England and Mid-Atlantic Council and Create New Atlantic Council.

*Note:This total does not include funds included in the appropriate for programminig grants and state liaison.

Fiscal savings and operational efficiencies may be realized through the proposed actions without significant impact on the representative and/or responsive nature of the Council system.

QUESTION:

There have been reports that the agency plans to defer spending FY 1985 funds for various NOAA programs, such as Sea Grant and CZM, if the Congress does not agree to rescind these funds. Could you respond to these reports?

ANSWER:

We are not aware of any plans to defer spending these funds if the rescission is not approved.

QUESTION:

The Administration's budget for FY 86 proposes to cut the $300,000 planned for maintenance of the new weather buoys in Hawaiian waters, thus rendering these advanced buoys useless. Could you please explain the rationale behind spending almost $2 million over the past two years to install these buoys and then not using them?

ANSWER:

The four Hawaiian buoys are located in the least severe ocean environment, based on major storm frequency, of all of the buoys in the data buoy network. The Hawaiian buoys were not a high-priority part of NOAA's overall effort to improve observations; they were added by Congress. In order to obtain the most widespread benefit from the NWS weather observing and forecasting system, we believe funds should be focused on improvements such as doppler radars or automated surface observations; and on maintaining buoys and other equipment in areas more prone to severe weather.

QUESTION:

The testimony before the House Merchant Marine and Fisheries Committee last week, Mr. William Gordon of the National Marine Fisheries Service (NMFS) stated that he planned to "withdraw some of the work that we have been doing...probably some of the monk seal work in the Western Pacific..." in order to have a reduced authorization for the Endangered Species Act. Given the clear congressional support for this program, could you please explain Mr. Gordon's decision to cut it out of the reauthorization of the Act?

ANSWER:

Recognizing the need to reduce the Federal budget, NMFS has had to establish priorities for the type of work which can be supported at the proposed budget levels. The remaining NMFS Hawaiian Monk Seal Research ($89K) would consist of completing staff reports and analysis of data previously collected. A reduction in the funding level authorized for the Endangered Species Act would be consistent with the funding level proposed for the program in the FY 1986 budget.

QUESTION:

In the Administration's FY 1986 budget, cuts in National Weather Service forecasting are planned, but no specific reductions in force are outlined. Are we to assume that these reductions would occur in the same locations as were planned, but rejected by Congress, last year?

ANSWER:

In the FY 1986 budget, cuts are proposed to reduce specialized weather services that can be provided by the private sector; to streamline operations by consolidating or removing managerial and administrative layers; and to reduce lower priority activities. Cuts are not proposed in general public weather forecasting activities. Where the proposals are identical to reductions proposed in the FY 1985 budget, the location of staff reductions would be the same, as detailed in the budget. Where we have proposed new reductions or have revised FY 1985 proposals, the locations of staff reductions are as shown in the budget.

We do not normally propose reductions in force (RIFS) in the budget submission. If reductions are approved, we try first to achieve reductions by attrition, reallocating staff, or by other means that do not involve the expense and disruption of a formal reduction in force. After examining alternatives, we may need to seek reduction in force authority and undertake the formal RIF process. This is done through the personnel system according to established procedures, not through the budget process.

QUESTION:

The Administration's budget for NOAA also sharply reduces funding for the TOGA project, both in the TOGA account and the [illegible] account. This project, as you know, is part of an international effort to understand and predict the El Nino weather phenomenon that was responsible for untold millions of dollars of damage and loss of human lives two years ago. To withdraw our commitment to the project at this point would seriously damage its credibility internationally and halt the significant progress that has been made in the past two years. Could you please explain the Administration's rationale behind behind hindering the advancement of this important and far-reaching effort?

ANSWER:

NOAA remains committed to the international TOGA program and will continue to serve as the U.S. lead agency for this important effort. The amount requested for TOGA in Ocean Climate Research line item (TOGA account), will allow NOAA to maintain an observation program in the central and eastern Pacific. NOAA is actively seeking international support to supplement the U.S. investment by enhancing the TOGA observing network into the western Pacific and Indian oceans.

QUESTION:

Please provide a breakdown of sales of Landsat data for fiscal years 1983 and 1984 and projections for FY 1985 (based on sales during the first half of the year). For sales to Federal agencies, indicate the agency involved and the intended use of the data. For sales to non-Federal users provide a breakdown on assessments for foreign ground stations.

ANSWER:

The following table provides the Landsat sales statistics for FY 1983, FY 1984 half of the year. The sales to Federal agencies are carried as direct reimbursements and the over the counter sales are carried in the miscellaneous Federal catagory. The automatic accounting system does not keep separate agency accounts in this miscellaneous account.

The USDA and the other large Federal buyers make use of Landsat data in several of their component parts. A complete picture of how they use Landsat data is best obtained directly from them.

LANDSAT DATA SALES

(dollars in thousands)

	FY 1983 Actual	FY 1984 Actual	FY 1985 Anticipated
International Users:			
Access fees	$4,200.0	$5,760.0*	$6,000.0
Royalties	35.5	98.2	100.0
Subtotal	$4,235.5	$5,858.2	$6,100.0
Non-Federal Sales:			
State & Local Governments	98.8	115.7	1,863.0
Academia	167.8	192.8	1,303.0
Industry	562.1	993.3	372.0
Individual Sales	54.7	83.4	186.0
Non U.S. Sales	850.3	739.5	186.0
Subtotal	1,733.7	2,124.7	3,910.0
Miscellaneous Federal Sales:			
Subtotal	336.3	574.8	1,005.0
Reimbursable From Other Federal Agencie:			
Department of Agriculture	3,637.0	7,314.0	2,300.0
Subtotal	6,537.0	11,104.0	4,450.0
TOTAL: ALL SOURCES	$12,842.4	$19,661.7	$15,465.0

*Includes $600.0 collected in FY 1984 for payment of FY 1983 fee.

QUESTIONS SUBMITTED BY SENATOR CHILES

QUESTION:

As you know, agriculture is a key component of Florida's economy. It provides jobs for thousands of people and is responsible for billions of dollars in economic activity. Citrus, vegetables and nursery activities are critical elements of Florida agriculture and for years have relied on timely weather forecasts to help make good management decisions. Accordingly, citrus and vegetable growers and nurserymen consider the service provided by the fruit frost warning service, U.S. Weather Bureau, Ruskin, Florida to be of the highest importance. They rely on this service for the specific, interpreted weather information that allows them to make the best possible grove protection decisions during cold weather conditions. I know you are aware that Florida's agriculture has suffered from killer freezes in the past few years. We have had devastating back to back freezes in 1981 and 1982 and two 100 year freezes in 1983 and 1985. Damage was great, but, there is no telling how much more severe it could have been had growers not been able to receive specialized frost warning forecasts. At a time when agricultural interests in Florida need more freeze warning protection rather than less, do you think it is responsible or fair to eliminate the best source of agricultural weather forecasts they have?

ANSWER:

The President's proposal to eliminate funding for NOAA's fruit frost forecast service is not a reflection of the value of the services. Rather, it is a question of whether the Federal government should provide specialized services that benefit specific, identifiable groups when the private sector meteorological industry has the capability to provide these services to growers. We recently took the step of convening a conference for private sector meteorologists in which we explained the products and services that are provided through this program. A panel of industry representatives gave their views on the feasibility of private agricultural weather services; the consensus of that group was that the private sector would be able to provide replacement services and even enhanced services with a minimum of disruption. We are confident the agricultural interests in Florida will continue to have high quality weather forecasts available to them.

QUESTION:

Please give me a breakdown on the staffing and operating costs of the frost warning service at Ruskin. Hasn't there already been a reduction in professional personnel at Ruskin in previous years?

ANSWER:

The fruit frost program at the Tampa Bay Area Weather Service Office in Ruskin involves 3 meteorologists at a cost of $146,000 per year. The office lost two meteorologist positions when the fruit frost program was reduced approximately one half in FY 1982.

QUESTION:

I know that many in the citrus industry are concerned that private forecasts may not provide the detail or consistency for proper management responses. Are you concerned that a variety of private forecasts could lead to confusion on the part of growers?

ANSWER:

No. Private forecasts are generally, highly detailed, as they are tailored for users' specific crops and locations. Provided a user chooses a competent service and stays with it, there should be no problem with consistency. Users can also compare several forecasts issued in the locality. In addition, the National Weather Service will continue to provide general public forecasts and warnings which provide information useful to growers.

QUESTION:

I've often heard it argued that this service benefits only the citrus or nursery industries. But wouldn't you agree that it also benefits all those who serve these industries if it helps keep costs down and operations running smoothly? And what about the consumer who may have to pay higher prices for fresh or frozen citrus products if freeze damage makes marketplace prices increase? I think they would agree this small sum spent for the Ruskin services is worthwhile if it helps prevent freeze damage and consequently higher product prices.

ANSWER:

The primary user and beneficiary of fruit frost forecast services is the grower. Commercially provided weather information will reduce losses and constrain consumer costs in the same way as those currently provided at taxpayer expense. In fact, growers will most likely be able to obtain more detailed, client-specific weather forecasts from the private sector than NWS is able to provide, which could reduce freeze damage and market prices.

QUESTION:

Do you have any notion of the cost involved with contracting for private weather forecasts? Do you agree that such services may not meet the needs of growers for specialized forecasts?

ANSWER:

As was discussed at the conference mentioned in response to an earlier question, the charges for services will vary according to the intensity and specificity of service and the demand for services, among other considerations. We do not agree that private weather forecasts may not meet growers' needs. As mentioned in the answer to the previous question, private meteorologists can provide detailed, client-specific services, which NWS does not now, and never has, provided. In many parts of the country cities, school districts, and businesses hire private meteorologists to provide them with detailed weather information which is tailored to their specific needs and problems. We believe the meteorological industry in Florida has similar capabilities to provide weather services to growers.

ATTACHMENT A

COMPARISON OF ONE VS. TWO POLAR SYSTEM

TWO POLAR SYSTEM	FY 1984 & PRIOR	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91	TO COMPLETE	TOTAL ALL YEARS
FY 1986 CONGRESSIONAL (SIX S/C BUY)										
SPACECRAFT & LAUNCHING	289.5	107.9	131.9	142.0	141.5	149.1	137.5	92.5	171.9	1,363.8
GROUND SYSTEMS	2.7	1.9	11.0	27.7	4.0					47.3
TOTAL	292.2	109.8	142.9	169.7	145.5	149.1	137.5	92.5	171.9	1,411.1
CHANGES TO CONGRESSIONAL										
ADJUST FOR 3 S/C BUY			(34.6)	(23.9)	(11.4)	(33.7)	(59.0)	(44.0)	(165.7)	(372.3)
NOAA/DOD STUDIES			1.0	1.0						2.0
FOLLOW-ON (NOT DEFINED)					20.0	30.0	60.0	100.0		210.0
SLIP GROUND SYS. 6 MOS.			(7.7)	(11.6)	12.0	8.6				1.3
TOTAL CHANGE			(41.3)	(34.5)	20.6	4.9	1.0	56.0	(165.7)	(159.0)
CURRENT ESTIMATE (THREE S/C BUY)										
SPACECRAFT & LAUNCHING	289.5	107.9	98.3	119.1	150.1	145.4	138.5	148.5	6.2	1,203.5
GROUND SYSTEMS	2.7	1.9	3.3	16.1	16.0	8.6				48.6
TOTAL	292.2	109.8	101.6	135.2	166.1	154.0	138.5	148.5	6.2	1,252.1
ONE POLAR SYSTEM										
FY 1986 CONGRESSIONAL										
SPACECRAFT & LAUNCHING	289.5	69.1	59.1	56.1	94.9	121.9	145.4	131.2	239.0	1,206.2
GROUND SYSTEMS	2.7	1.9	1.2	1.3	9.5	19.8	13.2	4.4		54.0
TOTAL	292.2	71.0	60.3	57.4	104.4	141.7	158.6	135.6	239.0	1,260.2
CHANGES TO CONGRESSIONAL										
MODIFY NOAA J & DROP NOAA D			9.3	26.3	11.9	(19.3)	(26.3)	5.6	(37.4)	(29.9)
ADJUST GROUND SYSTEMS			1.0	6.0	8.8	(1.5)	(9.9)	(4.4)		0.0
TOTAL CHANGE			10.3	32.3	20.7	(20.8)	(36.2)	1.2	(37.4)	(29.9)
CURRENT ESTIMATE										
SPACECRAFT & LAUNCHING	289.5	69.1	68.4	82.4	106.8	102.6	119.1	136.8	201.6	1,176.3
GROUND SYSTEMS	2.7	1.9	2.2	7.3	18.3	18.3	3.3	0.0	0.0	54.0
TOTAL	292.2	71.0	70.6	89.7	125.1	120.9	122.4	136.8	201.6	1,230.3
DIFFERENCE: ONE VS. TWO POLAR										
SPACECRAFT & LAUNCHING		38.8	29.9	36.7	43.3	42.8	19.4	11.7	(195.4)	27.2
GROUND SYSTEMS		0.0	1.1	8.8	(2.3)	(9.7)	(3.3)	0.0	0.0	(5.4)
TOTAL DIFFERENCE		38.8	31.0	45.5	41.0	33.1	16.1	11.7	(195.4)	21.8

ATTACHMENT B

DRAFT

USAF/NOAA MEMORANDUM OF AGREEMENT

TITAN II LAUNCH SUPPORT FOR

NOAA POLAR ORBITING METEOROLOGICAL SATELLITE MISSIONS (NOAA K, L, & M)

1.0 PURPOSE: This agreement defines responsibilities, policies and operating principles that will govern the relationships between the USAF and the National Oceanic and Atmospheric Administration (NOAA) relevant to use of Titan II launch vehicles in support of NOAA polar orbiting meteorological satellite (METSAT) missions. This agreement is intended to be used as a basis for implementing agreements by field organizations of both agencies directly concerned with particular aspects of these efforts.

2.0 DEFINITIONS:

2.1 LAUNCH VEHICLE SYSTEMS

2.1.1 The launch vehicle system for NOAA polar orbiting METSATS consists of the Titan II ICBM modified as an expendable launch vehicle, propellants, payload conical adapter, payload fairing adapter, payload fairing, launch site, and AGE.

2.2 SPACECRAFT SYSTEMS

2.2.1 The spacecraft system for the NOAA polar orbiting METSAT missions consists of the NOAA spacecraft, the spacecraft-to-launch vehicle adapter, separation system, and associated spacecraft AGE.

2.3 ORGANIZATIONS

2.3.1 NASA. Under the terms of a NOAA/NASA MOA, the NASA serves as NOAA's technical and financial manager on the polar orbiting satellite program. For the purposes of this MOA, the term NASA shall be considered to mean the NASA Operational METSAT Program Office, which has been assigned by HQ NASA and the Director, Goddard Space Flight Center to fulfill this role for NOAA.

2.3.2 Space Division. All Air Force expendable launch vehicle work is the responsibility of Space Division, managed by the Deputy for Expendable Launch Vehicles (SD/YX). For the purpose of this MOA, the term Space Division shall mean: The Deputy for Expendable Launch Vehicles (SD/YX).

2.3.3 NOAA. The National Environmental Satellite, Data Information Service (NESDIS) has been assigned to manage the NOAA satellite program. For purposes of this MOA, NESDIS shall be considered synonymous with NOAA.

3.0 BACKGROUND:

3.1 The Air Force has studied space launch uses for retired Titan II ICBMs for several years and determined that they, like their Atlas predecessors, are capable of placing small to medium satellite payloads into polar orbits. The use of these boosters was approved by the Deputy Secretary of Defense in August, 1984. Also in August, the NOAA recognized potential benefits of the Titan II expendable launch vehicle program for their polar METSATs. The Air Force, on 18 September 1984, offered the use of Titan IIs to NOAA and on 22 October 1984, NOAA accepted. This MOA implements the use of Titan II by NOAA.

3.2 USAF/Space Division has been assigned the responsibility for the management, adaptation, refurbishment, and launch of the Titan II space launch system.

3.3 The Titan II space launch vehicle program will have an initial launch capability (ILC) of 1 October 1989. DOD and NOAA missions using Titan II may project launches in FY 90 and beyond.

4.0 GENERAL POLICY AND PRINCIPLES: Effective and efficient use of Titan II vehicles, facilities, and services provided by the USAF for launch of these missions requires an environment of understanding and cooperation between the two agencies. To this end, the following principles shall govern the relationship between the two agencies:

4.1 NOAA shall interface directly with Space Division on all matters related to programatic management of the Titan II space launch vehicle. Pursuant to the NOAA/NASA MOA (para 2.3.1), NASA may interface directly with Space Division on technical and financial matters.

4.1.1 There shall be a free and effective interchange of technical, financial, and managerial information between the agencies. Information requested about matters on contract will be provided by the appropriate government program agency.

4.1.2 The NASA, pursuant to paragraph 2.3.1, and Space Division shall establish the necessary coordination to insure the proper integration of the launch vehicle system in the overall project. Coordination shall be established as necessary to conduct all mission and launch vehicle system interface and associated program activities, including interface control board activities for both the launch vehicle and spacecraft systems.

4.1.3 Data and documentation relevant to the design, qualification status, reliability, quality assurance, flight performance, testing history, etc., of the launch vehicle and spacecraft systems shall be exchanged, whenever requested.

4.2 The USAF will provide a launch vehicle system for NOAA-K, L, and M, along with the necessary manpower, scheduling, and facilities to support NOAA launch requirements. If priority conflicts occur between USAF and NOAA which cannot be resolved between NOAA and Space Division, the signers of this agreement will be notified for resolution.

4.3 In order that the NOAA, and NASA in their role as NOAA's program manager, may be technically satisfied with the product or services provided by the Air Force, the following principles shall apply to NOAA missions:

4.3.1 NOAA and NASA may call for the USAF to conduct formal mission program reviews, including launch vehicle systems. The Space Division Deputy for Expendable Launch Vehicles and program contractors will support such program reviews, as appropriate. Space Division will also conduct an independent readiness assessment of the Titan II system as may be required in accordance with Space Division Commander's Policies.

4.3.2 Space Division will provide NOAA and NASA, upon request, access to appropriate hardware history data, such as manufacturing history, test data, etc.

4.3.3 NOAA and NASA will be invited to the launch vehicle system design reviews and acceptance test reviews, witness refurbishment tests and modification testing directed by Space Division.

4.4 None of the above principles shall be construed as to give NOAA or NASA any responsibility for the launch vehicle system, although NASA and NOAA's inputs will be considered when certifying a vehicle for flight of a NOAA satellite.

4.5 NOAA and/or NASA will provide documented mission and spacecraft requirements to Space Division which are to be met by the launch vehicle system. This documentation will be maintained on a current basis, so that it may be used for defining launch vehicle system/spacecraft system integration and interface requirements and for implementing mission-peculiar software to satisfy the NOAA missions.

5.0 PROCEDURES AND POLICIES FOR THE LAUNCH VEHICLE SYSTEMS: USAF/Space Division has total responsibility for management of the launch vehicle system and conduct of launch operations. This includes providing the following in response to NOAA mission requirements:

5.1 Launch Vehicle System: Space Division has total responsibility for the design, engineering, procurement, production, acceptance, and configuration control of the launch vehicle system. The launch vehicle system will be modified as feasible in response to NOAA mission requirements.

5.2 Spacecraft/Launch Vehicle Systems Integration: The integration of these systems will be conducted in accordance with existing Air Force procedures, as jointly modified by NOAA/NASA and Space Division, and based on criteria jointly developed and agreed to by NOAA/NASA and Space Division. Each agency shall incorporate the agreed upon criteria into their respective systems. Memoranda of Understanding specifying functions and procedures shall be prepared as required.

5.3 Launch Facilities and AGE: The USAF has total responsibility for all Titan II facilities and equipment required to support the launch of the Titan II missions at the Western Test Range. Installation of launch complex mission peculiar AGE, including clean room, or spacecraft AGE will be accomplished under the management of Space Division in accordance with mission requirements.

5.4 Launch Operations: The Space Division will serve as the launch operations systems manager for the launch vehicle system operations and range support operations, responsible to the appropriate NOAA Project Manager for the mission's launch and range support requirements. NOAA shall designate the Mission Director for each NOAA launch. The Space Division shall have responsibility for final commitment of the Titan II to launch, including final decision authority on flight worthiness of the Titan II.

6.0 FINANCIAL:

6.1 General Principles

6.1.1 The Air Force shall fund for all common non-recurring Titan II launch vehicle system design, analysis, development, qualification, and refurbishment design costs.

6.1.2 The NOAA shall fund for all recurring Titan II refurbishment costs for NOAA missions and any NOAA mission peculiar non-recurring costs. Unrefurbished Titan II vehicles will be provided to NOAA free of charge.

6.1.3 The NOAA shall fund launch costs associated with NOAA missions on an annual prorata basis. (For example, in a year with one NOAA and two DOD launches, NOAA shall fund 1/3 of the projected launch costs for that year.)

6.1.3.1 The NOAA launch cost shall not exceed 50% of the total Titan II launch support for any year with one NOAA launch. NOAA shall budget funding based on the predicted mission model at the date of effectivity of this MOA. If the DOD adds additional missions to the year(s) containing a NOAA launch between the effectivity date of this MOA and budgeting lead time away (2 years) from the year of the NOAA launch, the NOAA prorata share will be recalculated.

6.1.3.2 Accelerations of NOAA missions that do not accelerate the Titan II ILC will not require change in reimbursement schedule. If a launch requirement requires acceleration of the ILC, NOAA shall fund for the additional cost required to accelerate the ILC.

6.1.3.3 For NOAA launches that slip past the projected launch date (para 6.1.3.1), there will be no additional charge for the launch or reimbursement to NOAA as long as the Air Force is still maintaining a Titan II launch capability for its own purposes.

6.1.3.4 If a NOAA launch slips past the last DOD launch, NOAA will fund the extension of the launch services. If a DOD launch is subsequently scheduled for the year(s) in which NOAA is funding for full launch services, the Air Force will reimburse NOAA for the sole user charges previously funded. Launch services costs will revert to the formula of paragraphs 6.1.3.1 - 6.1.3.3.

6.2 Specific Implementation

6.2.1 USAF/Space Division will identify to the NOAA (through NASA) all funding requirements (by fiscal year), for the procurement, launch support, and other associated services furnished by the USAF/Space Division under the terms of this agreement. The request for funds will be submitted to NOAA at least nine months prior to the submittal of the President's Budget for the launch year [illegible] the Congress.

6.2.2 The funding requested will be that required by the USAF for the net costs of missions or vehicles requested. In general, these costs will be comprised of the costs for studies, hardware (including mission peculiars, the refurbishment support and refurbishment test propellants), plus costs accrued for launch and other support. Any other mission peculiar costs, such as modifications of AGE or facilities, will also be charged.

6.2.3 The required funds will be provided to the USAF/Space Division by NOAA (through NASA as NOAA's agent) on an annual basis consistent with USAF/Space Division scheduled procurement requirements. Funds for launch support shall be provided at the beginning of the FY containing a scheduled NOAA launch as soon as availability of appropriated funding will permit.

6.2.4 Funding requirements will be described in sufficient detail to establish elements of cost for the equipments and services provided.

6.3 USAF/Space Division will provide periodic financial reports to the appropriate NOAA office. Updated budgetary estimates and supporting data will be provided to coincide with the NOAA budget formulation requirements assuming necessary definition data is available from NOAA.

6.4 USAF/Space Division will provide invoices and sufficient back-up material to permit NOAA to certify invoices for correct payment.

7.0 PUBLIC AFFAIRS AND RELEASE OF INFORMATION: Release of public information on the program may be initiated by either NOAA or the Air Force. Before any release is issued to the public, however, clearance and final approval shall be given by the agency having the basic responsibility for that phase of the program. That is, Space Division will approve all information pertaining to the Titan II vehicle or Titan II launch operations. NOAA will approve all releases pertaining to the satellite and its operational mission. Coordinated or joint press releases should be issued where appropriate. Other releases of information to the public are subject to the requirements of the Freedom of Information Act.

8.0 EFFECTIVITY:

8.1 This agreement is effective on the date of Congressional approval of the Titan II program and its required Air Force funding.

8.2 Implementation is dependent upon Congressional approval of the Titan II program in the FY 86 President's Budget, and the availability of appropriated funds to the USAF and NOAA for this purpose.

9.0 AMENDMENTS: Amendments or revisions to this Memorandum of Agreement can be made by mutual consent of the signatories.

DRAFT

E.C. Aldridge
Under Secretary of the Air Force

Date:____________________

DRAFT

Anthony J. Calio
Deputy Administrator,
National Oceanic and
Atmospheric Administration

Date:____________________

MARINE MAMMAL COMMISSION

STATEMENT OF WILLIAM E. EVANS, CHAIRMAN, MARINE MAMMAL COMMISSION

ACCOMPANIED BY:

JOHN R. TWISS, JR., EXECUTIVE DIRECTOR
ROBERT J. HOFMAN, SCIENTIFIC PROGRAM DIRECTOR
DONALD C. BAUR, GENERAL COUNSEL.

PREPARED STATEMENT

Senator WEICKER. The next witness is Dr. William Evans, Chairman of the Marine Mammal Commission. Dr. Evans, we are pleased to have you here today. Why don't you introduce your colleagues and present your budget.

$929,000 was enacted in 1984 and $929,000 was appropriated in 1985. You are requesting $781,000. You went down $148,000. You add three new positions this year. That is basic mathematics. Between your personnel and budget cut, I sure would like to know what programs are going to be conducted.

Dr. EVANS. Good morning. I am William E. Evans. With me today is John Twiss who is Executive Director; Dr. Robert Hofman who is our Scientific Program Director; and our General Counsel, Don Baur.

A full written statement has been presented to you for the record, Mr. Chairman. To maximize the time available, I will summarize my statement and highlight and, hopefully, answer some of the questions that you pose.

[The statement follows:]

PREPARED STATEMENT OF WILLIAM E. EVANS, PH.D.
CHAIRMAN
MARINE MAMMAL COMMISSION

Good afternoon, Mr. Chairman and Members of the Committee. My name is William E. Evans, and I am Chairman of the Marine Mammal Commission. With me today are: John R. Twiss, Jr., Executive Director, Dr. Robert J. Hofman, our Scientific Program Director, and Donald C. Baur, General Counsel.

FY 1985 to Date

When we appeared before you last year, we said that we would focus our FY 1985 efforts on: implementing the Hawaiian Monk Seal and Southern Sea Otter Recovery Plans; getting things started under the Convention on the Conservation of Antarctic Marine Living Resources; assessing and mitigating adverse effects of offshore oil and gas development; developing an ecologically-sound regime to govern exploration and exploitation of non-living resources in the Antarctic; addressing the incidental take of marine mammals in lost or discarded fishing gear and other debris; facilitating return of marine mammal management authority to states; and improving coordination of research being supported by the Minerals Management Service, the National Marine Fisheries Service, the Fish and Wildlife Service, and other organizations. I would like to report on the steps we have taken to honor our commitments to you.

With regard to the Hawaiian monk seal, we met with State and Federal agency representatives in November 1984 to identify actions needed to further facilitate recovery plan implementation for the Hawaiian monk seal. In that month, we also recommended improvements to the Fish and Wildlife Service's Draft Master Plan for the Hawaiian Islands National Wildlife Refuge, an area of critical importance to monk seals. More recently, we reviewed a National Marine Fisheries Service proposal, based upon an earlier

Commission recommendation, to designate lands and waters in the Northwest Hawaiian Islands as critical monk seal habitat.

We continue to work with the Fish and Wildlife Service to implement the Southern Sea Otter Recovery Plan. In order to diminish threats to the entire population, the Service has proposed establishing a sea otter colony on San Nicolas Island--a proposal we helped develop. In addition, the Commission and the California Department of Fish and Game are supporting observers who have documented an average mortality in gill and trammel nets of between 80 and 105 otters per year for the last ten years--this in a total population of 1300 to 1400 independent animals. We have recently recommended other approaches, including expanded enforcement, public education, research, monitoring, and cooperative regulation of net fishing.

As for Antarctic marine living resources, we worked with appropriate Federal agencies and others to prepare for meetings of the Antarctic Living Resources Commission and its Scientific Committee in Australia last fall. At that meeting, Dr. Hofman served as the U.S. representative on the Scientific Committee. Currently, we are working with other agencies to develop directed research plans for the Southern Ocean, and are preparing for the 1985 meetings of the Living Resources Commission and Scientific Committee.

With respect to offshore oil and gas development, we are working with the Minerals Management Service, the National Marine Fisheries Service, and the Fish and Wildlife Service on programs needed to predict, detect, and mitigate the possible adverse effects of exploratory and developmental activities on marine mammals and their habitat. As a part of this effort, we have commented on proposals to lease areas in the North Aleutian Basin and currently are reviewing a proposal to lease additional areas in Norton Sound. We also provided funds for a workshop earlier this year to consider issues, including offshore oil and gas development, affecting the protection and recovery of the endangered northwest Atlantic right whale population.

It has become more evident that significant numbers of marine mammals, sea birds, turtles, and other marine organisms are being caught and killed each year in lost and discarded fishing gear. We took the lead in encouraging the National Marine Fisheries Service to convene an International Workshop on the Fate and Impact of Marine Debris in November and are ensuring that there is responsible follow-up. We also supported an analysis of domestic and international authorities that might be useful in resolving the entanglement problem and a field survey of beached debris in parts of Southeast Alaska. With people here and abroad, we are now building on the findings of the workshop and encouraging other activities to develop and implement a comprehensive program to deal with the problem.

Shortly, we expect the State of Alaska to decide whether or not it will request return of management authority for certain marine mammals. Such authority now rests with the Federal government. If the State does not request management authority, the Fish and Wildlife Service and the National Marine Fisheries Service will have to implement their own management and research programs in Alaska. It has long been our view that, whether the State or the Federal government ends up with responsibility, there will be a need for well-designed research and management plans that either could use. With this in mind, we provided funds to organize and convene working groups to prepare species accounts and recommend research and management plans. The working groups' reports will be available in mid-1985.

As in the past, we are reviewing and making recommendations on marine mammal programs being conducted and planned by other Federal agencies. When appropriate, we involve representatives of states, industries, public interest groups, and the academic community to facilitate this program planning, coordination, and review. These efforts have resulted in more economical, better designed, and better focused research programs.

These and other activities are described more fully in our most recent Annual Report.

Objectives for 1986

To meet our statutory responsibilities in Fiscal Year 1986, we shall:

- recommend to the Secretaries of Commerce, Interior, and State needed actions to protect and conserve marine mammals and their habitat;

- help coordinate academic, state, Federal, and international research and study efforts to increase yields and prevent wasteful, duplicative research;

- manage and publish the results of a research and studies program in which specific problems bearing upon marine mammal protection and conservation are addressed;

- recommend to the Secretaries of Commerce and Interior actions on the issuance of permits to take marine mammals for public display and scientific research;

- make recommendations to the Secretaries of Commerce and Interior on requests for waivers of the moratorium on taking and return of management authority to states;

- make recommendations on United States' positions relative to international negotiations affecting marine mammals; and

- participate in relevant international negotiations.

We shall also focus on: assessing and preventing or reducing the incidental take of marine mammals and other marine organisms in lost and discarded fishing gear and other debris; continuing efforts to implement the Hawaiian Monk Seal Recovery Plan, the Southern Sea Otter Recovery Plan, and the Convention on Conservation of Antarctic Marine Living Resources; developing and implementing recovery plans for right whales and other endangered cetaceans; identifying and protecting habitat essential to certain species of marine mammals; and improving planning and coordination of marine mammal research being supported by various Federal agencies and other organizations.

In all our undertakings, we shall work closely with involved states, Federal agencies, and international organizations as we have in the past.

Fiscal Year 1986 Estimate

Our Fiscal Year 1986 budget request of $781,000 provides for three additional positions as called for in the Marine Mammal Protection Act as amended in 1984. This resource level emphasizes the Commission's overview and policy making role, and provides $26,000 for priority projects in support of this overview role. For example, we shall be able to do our annual survey of federally funded research, publish the results of our studies, maintain our reference library, evaluate various impact statements on proposed actions, participate in certain reviews of agency research programs, and take such other steps as we can to identify possible problems and solutions.

I shall be pleased to answer any questions.

FISCAL YEAR 1985 TO DATE

Last year, fiscal year 1985, the Commission concentrated its efforts on implementing species recovery plans for the Southern sea otter and Hawaiian monk seal. We are initiating activities for conservation of Antarctic marine living resources under the Convention on the Conservation of Antarctic Marine Living Resources; assessing and mitigating adverse effects of OCS development; trying to develop a regime for governing exploration and exploitation of Antarctic non-living resources, which has become an important issue; vigorously addressing incidental take of marine mammals in discarded ocean debris, including fishing gear, which is something we stressed last year; facilitating return of marine mammal management to the states; and improving coordination of marine mammal research being supported by all Federal, State, and private agencies.

I would like to highlight the steps we have taken to accomplish these tasks and give some explanation of what we plan to do in fiscal year 1986.

HAWAIIAN MONK SEAL

In November of 1984, we met with Federal and State representatives and identified actions necessary to implement a plan for recovery of the Hawaiian monk seal population. This included recommendations to improve the Fish and Wildlife Service's Draft Master Plan for the Hawaiian Islands National Wildlife Refuge. And we also reviewed the National Marine Fisheries Service's plan to designate critical monk seal habitat.

SOUTHERN SEA OTTER

In the case of the Southern sea otter, the effort to implement the Southern Sea Otter Recovery Plan continues. This includes establishing a colony on San Nicolas Island and documentation of incidental take of Southern sea otters in gill and trammel nets. That is about 80 to 105 otters per year for the last 10 years. We also give recommendations on approaches in improved enforcement, education, research and regulation of net fishing.

With regard to the latter, we were recently informed that State legislation has been proposed that would place a moratorium on use of gill and trammel nets within the Southern sea otter range. We are pleased about that. It may have a very good net effect on the population.

In terms of the Antarctic marine living resources, we are participating with other agencies to develop directed research plans for the Southern Ocean.

OIL AND GAS DEVELOPMENT

In terms of oil and gas development, we continue to work closely with the Minerals Management Service, the National Marine Fisheries Service, and the Fish and Wildlife Service to predict, detect and mitigate any possible adverse effects of exploration and development on marine mammals. We also provide comments on proposals to lease areas, for example, the North Aleutian Basin and Norton Sound; and we provide support, including funds for workshops on sensitive species, for example, the Northwest Atlantic Right Whale population.

MARINE DEBRIS

In reference to incidental take of marine mammals in discarded ocean debris, including fishing gear, the evidence that discarded fishing gear and marine debris kills significant numbers of most marine animals has increased rather significantly every year.

In conjunction with the National Marine Fisheries Service, we convened an international workshop on fate and impact of marine debris in November 1984. The final report should be available within the next few months.

As a followup to that meeting, we convened a working group to develop a comprehensive plan of action at a recent meeting in La Jolla, CA.

We have conducted an analysis of domestic and international authorities useful in helping us resolve these problems, and have helped initiate and conduct field surveys of beached debris in southwest Alaska, and finally, we have participated in the development of a comprehensive program to mitigate the impact on North Pacific marine mammals, especially Steller sea lions and North Pacific fur seals.

With respect to return of management to States, for example, Alaska, it has long been the view of the Commission that whether the State or the Federal Government ends up with management responsibilities for marine mammals, well designed research and management plans will be needed. We are supporting the preparation of such a comprehensive plan for Alaska. The report of the working group preparing this plan will be available by mid-1985.

As in the past, we shall continue to assist in making marine mammal research and conservation efforts better focused and more economical, and all of these activities are described in detail in our 1984 Annual Report to Congress.

OBJECTIVES FOR 1986

For 1986, we will continue to meet our statutory responsibilities by continuing some of the emphasis on the 1985 efforts. This includes continuation of coordination of research efforts; providing advice and recommendations to all agencies responsible for the conservation of marine mammals; and reviewing actions on the issuance of permits to take marine mammals for public display and scientific research.

Our main focus will be on assessing, preventing or reducing incidental take of marine mammals in lost or discarded fishing gear and debris; continuing efforts to implement the Hawaiian Monk Seal and Southern Sea Otter Recovery Plans as well as the Convention on Conservation of Antarctic Marine Living Resources; developing and implementing recovery plans for endangered cetaceans, for example, the right whales; and identification and protection of critical marine mammal habitat.

During the current fiscal year, it was mentioned earlier our budget is $929,000. Of these funds, $300,000 is being used specifically for research to facilitate protection and recovery of endangered and threatened species, resolution of marine mammal fishery conflicts, conservation of Antarctic resources, living and non-living, and return of marine mammal management to States.

FISCAL YEAR 1986 ESTIMATE

Our budget request of $781,000 provides for three additional positions as called for in the Marine Mammal Protection Act as amended in 1984. This resource level emphasizes the Commission's statutory overview and policy-making role, and provides $26,000 for priority projects in support of this overview role.

For example, we shall be able to do our annual survey of federally-funded research, publish the results of our studies, maintain our reference library, evaluate various impact statements on proposed actions, participate in certain reviews of agency research programs, and take such other steps as we can to identify possible problems and solutions.

I will be pleased to answer any questions that you or any other member of the committee may have.

FUNDING FOR RESEARCH AND PERSONNEL

Senator WEICKER. What portion of the $781,000 requested for fiscal year 1986 is for research and related activities, and how much will be directed towards staff and salaries?

Dr. EVANS. $26,000 of it will be for the research activities. I would like to have John Twiss address that question in a little bit more detail.

Senator WEICKER. For research, $26,000. What is for staff and salaries?

Mr. TWISS. The total, Senator Weicker, for everything else—staff, salaries, rent, payments to GSA—adds up to $755,000. Salaries alone——

Senator WEICKER [interposing]. $755.

Mr. TWISS. $755,000, which is what gives us the $26,000 for research.

Senator WEICKER. That sounds a little skewed.

Senator BUMPERS. You are asking for three new positions?

Mr. TWISS. Yes, sir. When the Marine Mammal Protection Act was amended last year, three new positions were added. If you take just salaries and benefits for the staff, the three Commissioners, and the nine-member Committee of Scientific Advisors, you end up with $558,000 for fiscal year 1986, and then rent to GSA and all of the other operating costs bring the total operational budget to $755,000, thus leaving $26,000 for research.

Senator BUMPERS. What are you going to do with $26,000?

Mr. TWISS. Dr. Evans? [Laughter.]

Senator BUMPERS. I know not very much.

Dr. EVANS. I think as we mentioned, the $26,000 was to try to—we are going to have to, obviously, pull out some of those projects that we talked about and put priority listings on them. We are not going to be able to do much more than oversight on some of the research that is in effect.

I think Dr. Hofman already has been looking at those things we would do. Bob, do you have some comments?

Senator WEICKER. You ought to be looking at yourselves, that is what you ought to be doing, not at your research budget.

Mr. TWISS. Perhaps, Senator Bumpers——

OMB DICTATE

Senator WEICKER [interposing]. Let me ask a question. How much is cut? $148,000. Was that your request or was that an OMB dictate?

Mr. TWISS. The eventual request which we made of OMB was $781,000.

Senator WEICKER. What do you mean by "the eventual request"?

Mr. TWISS. After considerable discussion, we requested $781,000.

Senator WEICKER. Considerable discussion among yourselves or with OMB?

Mr. TWISS. With OMB.

Senator WEICKER. Before you had these considerable discussions with OMB, what was your internal estimate as to what you were going to need?

Mr. TWISS. Our feeling has always been that a great deal of the impact that we have been able to realize has resulted in the money which we have been able to spend on specific research programs.

For the past several years, the research budget, which we have been provided by Congress, has allowed us to do this type——

Senator WEICKER [interposing]. I know.

Mr. TWISS. Study which has, I think, been very beneficial to marine mammals, to the public at large, and helpful in the resolution of difficult problems.

The fact of the matter is with $26,000, we have no money to put into really working through solutions to a lot of the very hard problems that now exist.

Senator WEICKER. I understand. So, obviously, when you all sat among yourselves, before the OMB discussions, you certainly must have had some figures in mind as to what was going to be required to go ahead and continue this type of operation.

Mr. TWISS. We felt that the $300,000 level of research that we had been working at, has been adequate to support a large enough program to accomplish a great deal, and yet a small enough program so we have been able to very tightly manage it and get a great deal out of it. Our feelings were that $300,000 would give us a solid research program.

Senator BUMPERS. How long has this Commission been in existence, if you will indulge me, Mr. Chairman?

Mr. TWISS. Operationally since January 20 of 1974. It came into law in October/November of 1972. The funds were not appropriated until January of 1974.

Senator BUMPERS. How long have you been with the Commission?

Mr. TWISS. Since January 20, 1974.

Senator WEICKER. A long time. I know what is going to happen. I can see exactly what is going to happen. In the fiscal year 1987 budget, this is going to be zero funded, and you know why, you know what the justification is going to be?

Senator BUMPERS. Spending too much on salaries.

Senator WEICKER. And you fellows didn't do any research, so there is no reason for you being in existence; that is what is going to happen.

Senator BUMPERS. I can see OMB sending them over here right now to the Members of the committee and will raise hell about the amounts being spent on salaries and nothing on research.

I would say, that would be my first reaction. There is a legitimate question as to whether this function is being performed by anybody else or whether you are a data-gathering commission?

Senator WEICKER. Let me say on that point, and I have known you fellows for a long time, in terms of Marine Mammal, and not only its preservation, but, indeed, its multiplication, I think this commission has done an outstanding job—outstanding job. Believe me, it is the type thing that does fall through the cracks in a larger agency. They came in during a pretty tough time. I think it is worth the small amount of money. It is roughly in the area of a million dollars. I think it is important.

What ever time Senator Bumpers wants, I have no further questions.

Senator BUMPERS. I have no further questions.

Senator WEICKER. I know exactly what is going on here.

Senator BUMPERS. I have no further questions, Mr. Chairman. I might just ask this one question. Why, considering the cut in this budget and the very limited amount of money you have for research, why are these three positions you are asking for critical?

Senator WEICKER. They are mandated.

Dr. EVANS. Mandated by Congress.

Senator BUMPERS. When? Last year?

Dr. EVANS. Last year in the reauthorization.

Senator BUMPERS. For what purpose?

Dr. EVANS. I would like to address that aspect. In agreement with Senator Weicker and as a scientist working in the marine mammal community for about 25 years, I feel the Marine Mammal Commission has been probably one of the most cost-effective government agencies dealing in the conservation issues, let alone marine mammal. That is one of the reasons why I am very proud to be associated with it. With the kind of problems which are beginning to arise now; a number of different issues having to do with everything from OCS development to the North Pacific problems; the load on the existing staff was increasing. At one time, the staff was up to, I believe, a level of 12 and had been reduced down to approximately 9 people. A staff of this size obviously could not keep up with the statutory requirement, let alone doing all of the research that was being dictated by problems that were arising on a day-to-day basis.

So because of that, Congress assured that the staff level of the Commission would not drop by mandating a minimum of 11 members. I think that is a fair assessment.

Senator WEICKER. Thank you very much.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR WEICKER

What portion of the $781,000 requested for FY 1986 is for research and related activities, and how much will be directed towards staff and salaries?

$26,000 is for research and related activities; $558,000 is for the salaries and benefits of the three Commissioners, the nine members of the Committee of Scientific Advisors on Marine Mammals, and the staff.

Are there any research projects the Commission would not be able to support at this funding level?

At this funding level, the activities which the Commission would be able to support are those mentioned at the end of the formal testimony. The great majority of research activities which the Commission has supported in the past, such as those that are described in detail in the Marine Mammal Commission's Annual Reports, could not be supported at this level.

Along these lines, are there any critical studies or research projects the Commission would fund if Congress were to restore the $300,000 we appropriated in FY 1985?

Yes. There are a number of areas in which research dollars could be usefully invested. For example, the results of the net entanglement workshop, for which the Commission was able to provide the initial funding, show that substantial amounts of money could be invested to good effect in this field, particularly in the area of mitigating measures. In addition, there is a need for additional research and studies to: identify habitats that are of special importance to marine mammals and steps that should be taken to protect such areas; develop cooperative international efforts directed towards marine mammal conservation; facilitate development and implementation of recovery plans for right whales, humpback whales, bowhead whales, gray whales, and other endangered whale species that occur in U.S. waters; protect and facilitate recovery and management of the California sea otter population; further investigate the captive propagation of marine mammals and the implications of successful breeding programs; continue research undertaken with respect to stock discreteness in *Tursiops truncatus* populations; expedite development and implementation of research and management programs necessary to protect and conserve marine mammals and their habitats in Alaska; and develop more effective and economical methods and procedures (1) for assessing and monitoring the status of marine mammal populations and habitats, and (2) for determining how marine mammals affect and are affected by fisheries, offshore oil and gas development, coastal development, and other human activities.

The entanglement of marine mammals in lost and discarded commercial fishing gear and other marine debris remains a very serious problem. Is the Commission still supporting a net entanglement program?

The Marine Mammal Commission was the agency responsible for first espousing a constructive and comprehensive approach to addressing this problem. Repeatedly, since 1982, the Commission has encouraged positive actions on the part of the Federal Government. Some of the earlier recommendations of the Commission are best summarized in its 18 November 1983 letter (Attachment A) to the National Marine Fisheries Service.

More recently, the Commission actively participated in the workshop on the "Fate and Impact of Marine Debris" for which it also provided some of the funding. As a result of that workshop, the Commission convened and chaired a group of experts to develop a research plan for the expenditure of the $1,000,000 appropriated by Congress to the National Marine Fisheries Service for FY 1985. The results and recommendations of the working session appear as Attachment B.

Unfortunately, the National Marine Fisheries Service appears to have but $750,000 of the $1,000,000 appropriated it in FY 1985 to invest in this work. With this in mind, the Commission now intends to work on assigning priorities within the recommended projects and also to seek support for the balance of the program elsewhere. The Commission views it as important to try and raise the full amount because the entire program has been planned as an integrated effort of closely related projects that will constitute a coherent initial attack on the problem.

What direction should such a program be taking to efficiently reduce the number of animal deaths and injuries by entanglement?

Unfortunately, constructive action on this issue has been long in coming. Progress has been frustrated by a number of delays, many of which seem unjustified, and the program has not developed as it should. While the need for certain actions has been patently obvious for several years, many have not been taken.

All this by way of introductory comment to the question posed. The simple answer is that so little preparatory work and initial investigative work has been done that one cannot say with certainty in which directions the program should be further developed. While the initial program outlined is certainly a logical starting place, it will only be after the program is well underway, perhaps six months thereafter, that it will be possible to convene a group that can make informed decisions about the scope and content of future programs. Suffice it to say that a program in the range of 3 to 5 million dollars spread over the next five year period now appears to be justified if a solution is desired.

As you stated in your 1984 Annual Report, the right whale is one of the most endangered large whales. The Commission has, in past years, supported research and studies to examine the animals' migration routes and calving/breeding grounds. The Minerals Management Service, with your consultation, is considering the initiation of a large-scale right whale research program in 1985 as part of its Atlantic OCS Environmental Studies Program. What is the status of this program and what funding level will be needed to support it?

It is the Commission's understanding that oil industry representatives have advised the Minerals Management Service that they currently have no interest in bidding on possible OCS lease offerings along the east coast of the United States, and that the Minerals Management Service has decided to indefinitely postpone release of the Request for Proposals. The Commission, believing that continued and expanded right whale research is essential, has contracted with the New England Aquarium to organize and convene a series of meetings of U.S. and Canadian scientists, environmental community representatives, and relevant Federal and state agency representatives to help identify the research and management actions necessary to protect right whales and the habitats essential to their survival and recovery. An initial scoping meeting was held at the New England Aquarium in February 1985 and a follow-up meeting is scheduled to be held at the Aquarium on the 11th and 12th of June 1985.

These meetings are expected to produce a comprehensive research and management plan for the northwest Atlantic right whale population. Although the Commission is not able, at this time, to determine precisely what should be done and what funding and other resources will be required to effectively implement the needed research and management actions, available information indicates that as much as $500,000 a year, for five years, may be needed.

What is the Commission's position on reauthorization of the North Pacific Fur Seal Convention?

The Commission, in consultation with its Committee of Scientific Advisors on Marine Mammals, is studying the issue now. It is a matter of great complexity which involves among other things, careful consideration of the National Marine Fisheries Services' plans for implementing a North Pacific Fur Seal program to address the critical issues.

Should the Convention be extended, modified, or terminated, and why?

These are amongst the questions which the Commission and its Committee are now studying. The results of the North Pacific Fur Seal Commission meeting now underway and the assurances given by the National Marine Fisheries Service with respect to the scope and content of the Services' forthcoming program will be important factors in making these determinations and the Commission expects to make its recommendation on the future of the Convention as soon as it has reviewed this additional information.

The National Marine Fisheries Service is reducing its Hawaiian monk seal research program in 1986 by $240,000. This would leave about $90,000 to perform this critical work. In your opinion, what is the bare amount needed to fund and maintain a strong research program on the Hawaiian monk seal?

It should first be noted that the Commission has carefully reviewed all aspects of this program and believes that it is a well-run, scientifically sound, economical undertaking which is having a significant effect. However, without continued, intensive field work, the value of the effort would be severely compromised. The monies that the National Marine Fisheries Service has proposed are not sufficient to support any field work, the essential element if this program is to be a success. In the Commission's opinion, the minimum funding level necessary to support a viable program is $325,000, the same level as last year. Such support would make it possible to continue to carry out effective field and laboratory programs to protect this endangered species whose range lies entirely within United States' waters. In short, the Commission strongly believes that $325,000 should be provided for the support of this program.

ATTACHMENT A

MARINE MAMMAL COMMISSION
1625 EYE STREET, N. W.
WASHINGTON, DC 20006

18 November 1983

Mr. William G. Gordon
Assistant Administrator for Fisheries
National Marine Fisheries Service
NOAA/Department of Commerce
Washington, D.C. 20235

Dear Mr. Gordon:

As you know, the Commission has long felt that entanglement of marine mammals in lost and discarded commercial fishing gear and other debris is an extremely serious problem which must be addressed. To this end, the Commission has made a number of written and verbal recommendations, suggestions, and offers of financial assistance within the context of commenting on issues related to the North Pacific fur seal, the Hawaiian monk seal, and a workshop to be focused on net entanglement.

On September 27, 1983, the National Marine Fisheries Service hosted a meeting with representatives of the governments of Canada, Japan, Korea, Taiwan, and the Union of Soviet Socialist Republics. At that meeting, it was agreed that it would be appropriate to convene a non-governmental, international workshop of scientific and technical experts to examine the issues and make recommendations thereon. The terms of reference discussed at that meeting were elaborated at the request of the participants and sent to them (see enclosure).

Since it now appears that the point has been reached of actually planning for and convening a workshop in Hawaii, the Marine Mammal Commission again wishes to restate its offer of the past two years to contribute to the support of such a workshop. To this end and specifically for the convening of a Steering Group, the Commission would be pleased to immediately transfer $4,000 to the National Marine Fisheries Service.

Further, the Commission, based on consultations with its Committee of Scientific Advisors on Marine Mammals as well as discussions with members of the fishing community, the National Oceanic and Atmospheric Administration, the Department of State, and the National Marine Fisheries Service, makes the following recommendations:

(1) that responsibility for the conduct of the workshop be formally and promptly assigned to the Honolulu Laboratory of the Southwest Fisheries Center and that interested persons be so advised;

(2) that such sums of money as may be determined to be necessary for the workshop (see (4) below) be immediately transferred to the Southwest Fisheries Center/Honolulu Laboratory;

(3) that a Steering Group be immediately established and convened for the purposes described in (4) below, and that the Group's membership include Mr. Jim H. Branson, Dr. Douglas G. Chapman, Dr. Charles W. Fowler, Dr. William G. Gilmartin, Mr. John Henderson, Dr. Robert J. Hofman, Mr. Joe Scordino, and Mr. Richard S. Shomura;

(4) that the Steering Group: a) choose a chairman for the workshop, agree upon dates specific, and assign responsibility to persons for the management of workshop preparations, conduct of the workshop proper, and the

undertaking of followup actions; b) reach final agreement on the terms of reference for the workshop; c) prepare a detailed agenda for the workshop which sets forth the topics for discussion, the titles of invited papers, the names of those who will be asked to present the papers, and the participants for any panel discussions; d) develop a list of other invitees from the United States and abroad to assure the best possible level of scientific and technical participation in the workshop; e) prepare detailed total cost estimates (see (2) above) for the meeting so that such an amount can be immediately transferred to the Southwest Fisheries Center/Honolulu Laboratory by the National Marine Fisheries Service; and f) prepare a detailed plan for following up on the workshop;

(5) that the National Oceanic and Atmospheric Administration's Office of the General Counsel identify and evaluate all domestic and international authorities that might be used to prevent further dumping of gear and debris and to facilitate the recovery of gear fragments and other discarded material already in the sea;

(6) that the Service request the Department of State to take such steps as may be necessary to gather similar information with respect to the domestic authorities of other involved countries including such statutes and regulations as may exist to implement the provisions of relevant international agreements;

(7) that the Service either undertake or cause to be undertaken the compilation, summarization, and evaluation of all published data on entanglement of fur seals, monk seals, other marine mammals, sea turtles, sea birds, fishes, and any other species in lost or discarded fishing gear;

(8) that the Service take such steps as are necessary and appropriate to: analyze collected fragments and other debris; collect and analyze relevant data and information provided on materials collected or sighted; conduct research (either directly or under contract) on ways in which gear may be effectively marked; and provide advice and recommendations on marking, mitigating measures, and such other matters as may be appropriate and necessary;

(9) in this regard, that the Service undertake or cause to be undertaken such studies as would lead to describing ways in which net might best be marked so as to show its provenance in the event of recovery at sea or on beaches;

(10) that the Service enter into formal agreements with the U.S. Coast Guard, the U.S. Navy, the U.S. Fish and Wildlife Service, and appropriate agencies within the States of Alaska, California, Hawaii, Oregon, and Washington to ensure that samples of netting and other debris which are collected by these agencies be given to the National Marine Fisheries Service for evaluation;

(11) that the Service enter into formal agreements with appropriate state and Federal agencies with respect to the collection, compilation, and analysis of data and information gathered by such agencies on the distribution, quantities, type, etc. of netting or other debris sighted but not collected;

(12) that the Service establish formal agreements with the various marine mammal stranding networks, research institutions, scientists, fishermen, and other possible sources of unpublished data to encourage them to obtain additional information on the types, quantity, and sources of gear and packing material being lost or discarded at sea as well as further information on the species, number, ages, and sexes of animals becoming entangled in discarded net or debris;

(13) that the Service immediately start identifying critical data gaps so as to develop program plans (including a description of the financial, logistic, personnel, and other resources needed) to fill identified data gaps;

(14) that the Service design and initiate such other programs as may be needed to determine: the types, quantity, size, and distribution of net fragments and other entangling debris as well as the likely fate of various types and sizes of netting and other debris present in the areas of concern;

(15) that the Service take such steps as may be appropriate to improve information dissemination and education amongst those actively engaged in fishing; and

(16) that the Service assign a high level administrator/ scientist responsibility for the overall management of all aspects of the net entanglement program and such meetings and workshops as may be held.

The Commission believes that action should be taken on all of the above recommendations as quickly as is possible. While some are clearly essential to the development of a successful workshop, others are necessary to provide badly needed data and information in the short term (i.e., for the workshop) and in the long term if an organized and meaningful approach is to be taken to successfully address the issues.

The Commission will be pleased to provide $4,000.00 towards the immediate convening of the Steering Group as well as to help in such other ways as it can to assist in seeing that the ends are accomplished.

Should you either have questions or wish to discuss this letter, I shall be pleased to do so whenever convenient.

Sincerely,

John R. Twiss, Jr.
Executive Director

Preliminary
Terms of Reference

ASSESSMENT AND MITIGATION OF FUR SEAL AND OTHER MARINE MAMMAL MORTALITY DUE TO ENTANGLEMENT IN LOST OR DISCARDED FISHING GEAR AND OTHER DEBRIS IN THE NORTH PACIFIC

1. Participation in this international workshop should include scientists, gear technicians, fishermen, net manufacturers, and other persons who might be expected to meaningfully contribute to a scientific and technical workshop of experts.

2. Appropriate activities for workshop participants would be the following:

   i. to identify the species and numbers of marine mammals, birds, turtles, and non-target fish being caught in lost or discarded fishing gear and other debris;

   ii. to assess the effects of this on the demography and/or dynamics of the affected populations and the ecosystem(s) of which they are a part;

   iii. to identify the types and sources of gear and packing material in which marine mammals, birds, turtles, and fish are becoming entangled;

   iv. to determine if certain species or age/sex classes of animals are more likely to be caught in lost or discarded gear and packing material than other species or age/sex classes and, if possible, why;

   v. to estimate the rates of deterioration or longevity of different materials, their rates of accumulation (deposition and clearance), and the likely movements of such material as is lost or discarded with respect to different points of origin;

   vi. to determine the short- and long-term impacts of lost or discarded materials already in the ocean upon marine organisms and identify steps that can or should be taken in this regard;

   vii. to identify and evaluate alternative methods for disposing of unwanted net fragments and packing material as well as incentives (both positive and negative) for preventing or reducing discards; and

   viii. to identify such information as may be needed to better understand and resolve the problem as well as the mechanisms whereby such information can be developed.

ATTACHMENT B

MARINE MAMMAL COMMISSION
1625 EYE STREET, N.W.
WASHINGTON, DC 20006

3 April 1985

Joseph W. Angelovic, Ph.D.
Deputy Assistant Administrator for
Science and Technology
National Marine Fisheries Service
Washington, DC 20235

Dear Joe:

The Marine Mammal Commission was pleased to chair a meeting at the National Marine Fisheries Service's Southwest Fisheries Center to help develop a comprehensive plan for the expenditure of the Service's FY 1985 appropriation for net entanglement. The basic document from which meeting participants worked was the draft final report of the "Workshop on the Fate and Impact of Marine Debris," the workshop so ably organized and chaired by Richard Shomura, Director of the Service's Honolulu Laboratory.

As a result of this cooperative undertaking in which Messrs. Braham, Branson, Chapman, Coe, DeMaster (Chairman), Gilmartin, Heneman, Meehan, Perrin, and Shomura participated, the attached program outline was developed. We hope that you find it useful in your efforts to address some of the many problems associated with debris in the marine environment.

If there are other ways in which we might help, please let me know.

Sincerely,

/s/ John

John R. Twiss, Jr.
Executive Director

Attachment

FISCAL YEAR 1985 ACTIVITIES TO ADDRESS PROBLEMS ASSOCIATED WITH DEBRIS IN THE MARINE ENVIRONMENT, $1,000,000

1. EDUCATION AND PUBLIC AWARENESS TOTAL $230K

a. Education program development and implementation, $190K

With primary reference to the North Pacific basin, the objectives of this project are to identify the most significant groups of non-degradable debris generators, develop the means for educating them, and carry out the described education program. Primary tasks include: identifying the debris items causing the most serious problems and upon which attention should be focused (e.g., discarded net fragments, packing bands, plastic pellets, etc.); identifying the most significant U.S. and foreign debris generators (e.g., specific fishing industries, shipping industry, military, etc.); identifying key manufacturers of raw materials and finished products that are important contributors to marine debris problems; developing persuasive arguments for convincing debris generators to minimize debris and manufacturers to modify the composition and/or design of materials to lessen impacts upon the marine environment; developing effective means of conveying these persuasive arguments so as to engender in debris generators a real understanding of the nature and extent of the problem; and then carrying out an intensive education program making use of the information and methods developed in the activities described above.

b. West Coast/New England Coast Beach Clean-up, September 21st, 1985, $40K

At the Workshop on the Fate and Impact of Marine Debris, actions taken in 1984 by the State of Oregon to increase public awareness of the problem were discussed at length. On October 13th of that year, approximately 2,100 volunteers collected more than twenty-six tons of plastic debris from Oregon beaches. In so doing, they also gathered certain useful information, previously non-existent, on the incidence and volume of debris along the coast. Of perhaps even greater long-term significance was the fact that the exercise generated considerable public interest in and recognition of the scope and magnitude of the problem. A similar clean-up day is planned for the entire West Coast and the New England Coast on September 21st, 1985. Project support is to provide for the coordination of the effort, publication of instruction booklets describing methods for classifying collected debris, analysis of the data on materials collected, and other activities necessary to organize and evaluate the project. As in the case of Oregon, it is anticipated that while the project will have transitory benefit in terms of beach clean-up, even greater long-term benefits will be realized as a result of the greatly heightened public awareness of the problem.

2. SCIENTIFIC AND TECHNICAL INFORMATION TOTAL $610K

These activities are designed to increase our understanding of the origin, amount, distribution, fate, and effects of debris in the marine environment as well as our knowledge of the means whereby it may be removed.

a. Northern fur seal entanglement research, $180K

Participants at the Workshop on Fate and Impact of Marine Debris concluded that: (1) northern fur seals may suffer more serious impacts as a result of entanglement in marine debris than any other species; (2) trawl net fragments and plastic packing bands appear to be the primary problem; (3) the only available data on fur seal entanglement are from the subadult male harvest; and, (4) no data are available for other age and sex classes. This effort would provide information on the survival rate of entangled males and females, the entanglement rate in large and small net fragments at sea, and the effects of entanglement on the feeding cycle of lactating females. Because the northern fur seal ranges over the entire north Pacific, the species should provide a biological assay as to the amount of certain types of marine debris that are discarded in the north Pacific.

b. Northern sea lion entanglement research, $85K

A recent survey indicates that the sea lion population in the eastern Aleutians is declining at a rate comparable to that observed in the northern fur seal population. The study is to provide information on the rate of entanglement of all age and sex classes of the northern sea lion population, and will concentrate on entanglement effects on the survival of sea lion young of the year. If this research provides evidence that entanglement in marine debris is causing or contributing to the observed decline, such knowledge may provide valuable information on causative factors in both the northern fur seal and Steller sea lion population declines.

c. Establishment of a reference collection and development of expertise to identify marine debris, $50K

There is a need to be able to identify derelict fishing gear and other debris. Physical characteristics such as the type of knot, the material, the hanging construction, etc., can provide information as to the source of derelict gear. Source identification is critical to the development of mitigating measures, and this effort would provide for (1) a gear specialist to become familiar with the fishing gear that is used in various foreign and domestic fisheries, and (2) the establishment of an identification center, complete with a full reference collection, where different types of debris could be sent for identification.

d. Accumulation and disappearance rates of marine litter on beaches in Alaska, $35K

Marine litter, including derelict net fragments, accumulates on beaches where it can be inventoried. A recent study in Alaska indicates that the amount of accumulated debris can be correlated with the number of vessels that fish in the U.S. economic zone. The objective of this study is to establish a monitoring system for evaluating the effectiveness of various management actions designed to reduce the amount of debris discarded at sea. In the first phase of the study, an experiment will be conducted to determine how sensitive beach surveys are to the sampling intensity and variability in the rate of debris accumulation. If this work demonstrates that beach surveys of marine litter are efficient for detecting changes in the accumulation rate of debris, long term monitoring programs should be initiated.

e. Compilation and analysis of U.S. fishery observer data on marine debris in the foreign and joint venture groundfish fishery, $25K

There is now available a collection of several hundred data reports providing information on debris observed during foreign fishing operations in the eastern Bering Sea. There are also recorded observations on the loss of gear as it occurred during operations. These data, which have been collected since the fall of 1982, have yet to be tabulated and evaluated. The objective of this study is to compile and evaluate information contained in the 1983 and 1984 fishery observer logbooks to determine (1) if observer logbook data should be summarized and analyzed for the years in which partial data were collected (1976-1982); (2) if observer logbook data should be routinely summarized and analyzed now and in the future; and (3) if some modification in logbook format is appropriate.

f. Survey of high seas squid gillnet fishery, $100K

A large squid fishery has been developing since 1978 outside the U.S. fishery conservation zone in the central north Pacific. The fishery may be the source of much of the derelict gillnet gear found in Alaskan waters. Unfortunately, virtually nothing is known about the fishery and recent attempts to put observers on vessels in the fishery have failed. Therefore, it is appropriate and necessary to determine the feasibility of monitoring this fishery by direct observations from small charter boats. Not only will the information collected by observers on this initial charter boat survey provide very rough estimates of loss rates, entanglement of non-target species in actively fishing and lost gear, and the fate of lost gear, it will, even more importantly, provide the background information necessary to develop a large-scale survey of such statistical significance that it could be expected to shed definitive light on those points. Without this research, the contribution of the fishery to the marine debris problem will remain unknown and our ability to develop mitigating measures therefore severely impaired.

g. Identification of sources of fishing debris affecting endangered marine animals in the northwestern Hawaiian Islands, $15K

Endangered and threatened species of wildlife such as the Hawaiian monk seal and the green sea turtle of the Hawaiian Archipelago are being subjected to increased mortality risks due to discarded and lost material from gillnet, trawl, and other fisheries. Under this project, (a) samples of beach debris from the northwestern Hawaiian Islands will be catalogued and identified as to the possible source fishery and location, and (b) estimates of the current rate of accumulation will be made. If this work is not done, the type of debris responsible for entangling endangered and threatened species in the Hawaiian area will remain essentially unidentified.

h. Dynamics of derelict gillnet gear in the north Pacific, $30K

The increasing volumes of non-degradable debris in the world's oceans, especially the increase in lost and discarded fishing gear, is now a matter of broad concern. It is not known how long derelict gillnets continue to fish, and this study is to develop information on the ghost fishing profile of derelict gillnets in the north Pacific. The information will come primarily as a result of intentionally setting gillnets adrift and then following them to determine changes in the physical characteristics of the gear during the early, mid, and late stages of being derelict. If this is not done, we shall remain essentially ignorant of the ghost fishing potential of gear lost from any drift gillnet fishery in the north Pacific.

i. Impact of ingested debris on sea turtles, $30K

The growing volume of long-lived ocean debris in recent years has been accompanied by increased reports of sea turtle ingestion of plastic bags, sheets, and pellets as well as entanglement in tar, rope, and fragments of fishing net. It is thought that turtles ingest plastic bags and sheets because they are similar in appearance to their principal food item, jellyfish. At present, there is no information on the effects of ingesting plastic on the longevity and reproductive potential of turtles. Under this project, experiments on captive animals would be done to determine the relationships between type and quantity of debris ingested and subsequent direct mortality, general physical condition, feeding behavior, and, as possible, hydrocarbon uptake.

j. Impact of ingested plastic on sea birds, $30K

Observers have recorded ingestion of plastics in fifty species of marine birds. Species which feed primarily by surface-seizing or pursuit diving have the highest occurrences of ingesting marine debris. Although plastic ingestion has been observed in many species of marine birds and is thought to be increasing, there is uncertainty as to whether plastic ingestion has detrimental effects on the health of individual birds or on their reproductive success. The purpose of this study is to evaluate impacts of plastic ingestion on one or more species of seabirds in captivity with respect to direct mortality, general physical condition, and, as possible, hydrocarbon uptake. Where possible, field experiments will be designed to complement the studies done in captivity.

k. Method for surveying at sea distribution and abundance of marine debris, $20K

The purpose of this study is to test the utility of carrying out surveys in the Bering Sea and/or Gulf of Alaska to determine the abundance and distribution of marine debris at or near the surface. Different survey methodologies will be developed and tested for practicality in quantitatively estimating debris density in total and by type. Whatever biases may exist with differing methods will be described as will the comparative cost of each. The study will evaluate the relative merits of platforms of opportunity in addition to using dedicated vessels. Field experiments will be done as necessary to test for possible biases in data collection methodologies.

l. Expansion of information collected by stranding programs, $10K

Information and samples of value in investigating entanglement and debris ingestion can be collected from marine mammals, birds, and turtles found dead on the beach. Under this project, the National Marine Fisheries Service would intensify its educational efforts with stranding networks, particularly in Alaska, in order to encourage the collection and processing of more information on the impact of marine debris on marine mammals and other species.

3. MITIGATION TOTAL $140K

These projects are directed towards reducing the amount of non-degradable material that is disposed of at sea. While the beach clean-up program described under "Education and Public Awareness" might also be included under "Mitigation", it is listed in the former section because its beneficial effects upon increased public awareness and education are probably of greater long-term benefit than the clean-up itself.

a. Development of methodology to reduce the disposal of refuse into the marine environment, $60K

Participants in the Workshop on the Fate and Impact of Marine Debris recommended that, however possible, the fishing industry, the shipping/transportation fleet, and all research and military vessels be encouraged to reduce the amount of refuse thrown overboard. The purpose of this project is to provide for the synthesis of existing information on compaction and incineration methods for at sea disposal of refuse, to identify new compaction or incineration systems, to assess the feasibility of greatly increasing the use of degradable materials for packaging and in general supplies, and to evaluate the economic feasibility of recycling programs for non-degradable refuse. Without such initiatives, the current disposal rate of over 6 million tons per year will continue unchecked.

b. Research on the use of degradable materials, $45K

The purpose of this study is to start research on the nature and characteristics of synthetic materials involved in the fabrication of fishing gear, packaging materials, and commonly used supplies with a view to exploring the potential for building degradability into a number of the materials and components used.

c. Development of regulatory approaches to the problems of marine debris, $5K

At the Workshop on the Fate and Impact of Marine Debris, Michael J. Bean of the Environmental Defense Fund reported on a wide range of existing legal authorities that might be used to address marine debris problems. The purpose of this study is to further develop the most promising options outlined in that report and such others as may appear feasible. Whereas the potential use of existing laws, treaties, and programs for minimizing the deposition of harmful debris into the ocean was explored in the first report, it is anticipated that the product of this second review will be a series of detailed specific actions to be pursued under existing authority, and that the report will also include, where appropriate, specific recommendations for changes in the text of international conventions, domestic statue, or regulations.

MARINE DEBRIS BUDGET SUMMARY

FISCAL YEAR 1985, $1,000,000

1.	Education and Public Awareness		$230K
	a) General Education Program	($190K)	
	b) Beach Clean-up/Public Awareness	($ 40K)	
2.	Scientific and Technical Information		$610K
	a) Northern fur seal entanglement research	($180K)	
	b) Northern sea lion entanglement research	($ 85K)	
	c) Reference collection	($ 50K)	
	d) Accumulation and loss of debris	($ 35K)	
	e) Observer data	($ 25K)	
	f) High seas drift net observation program	($100K)	
	g) Hawaiian protected species	($ 15K)	
	h) Dynamics of gear	($ 30K)	
	i) Ingestion - turtles	($ 30K)	
	j) Ingestion - birds	($ 30K)	
	k) Survey methodology	($ 20K)	
	l) Stranding program enhancement	($ 10K)	
3.	Mitigation		$110K
	a) Reducing disposal of non-degradable material	($ 60K)	
	b) Increasing use of degradable material	($ 45K)	
	c) Use of domestic and international authorities	($ 5K)	
4.	TOTAL		$950K

$50,000 of the $1,000,000 has already been spent to convene "A Workshop on the Fate and Impact of Marine Debris," Honolulu, Hawaii, 26-29 November 1984, and publish the report thereon.

Results Of A Planning Session Convened By the Marine Mammal Commission And The National Marine Fisheries Service To Describe Activities To Address Problems Associated With Debris In The Marine Environment Under The National Marine Fisheries Service's Fiscal Year 1985 $1,000,000 Appropriation

1. EDUCATION AND PUBLIC AWARENESS TOTAL $230K

a. Education program development and implementation $190K

With primary reference to the North Pacific basin, the objectives of this project are to identify the most significant groups of non-degradable debris generators, develop the means for educating them, and carry out the described education program. Primary tasks include: identifying the debris items causing the most serious problems and upon which attention should be focused (e.g., discarded net fragments, packing bands, plastic pellets, etc.); identifying the most significant U.S. and foreign debris generators (e.g., specific fishing industries, shipping industry, military, etc.); identifying key manufacturers of raw materials and finished products that are important contributors to marine debris problems; developing persuasive arguments for convincing debris generators to minimize debris and manufacturers to modify the composition and/or design of materials to lessen impacts upon the marine environment; developing effective means for conveying these persuasive arguments so as to engender in debris generators a real understanding of the nature and extent of the problem; and then carrying out an intensive education program making use of the information and methods developed in the activities described above.

Specific Objectives

This project will be done in two stages. The objectives of the first stage are to:

- identify the types and the most probable sources of marine debris (e.g., discarded nets, packing bands, plastic pellets, etc.) constituting the greatest hazards to wildlife, shipping, fishermen, etc.;
- determine the activities, behavior, or procedures that must be stopped or altered in order to eliminate or reduce the most significant sources of hazardous debris and the audience that must be reached to achieve the desired end; and
- describe the materials and programs which would be required to make fishermen and other potential generators of hazardous marine debris aware of the problem and steps that they should take to eliminate or reduce deposition of potentially hazardous debris at sea.

The objectives of the second stage are to:

- develop and implement a comprehensive information and education program; and
- evaluate the effectiveness of the program.

Methods

To meet the project objectives, the National Marine Fisheries Service will contract with a suitably qualified individual or organization to:

1. survey relevant literature and other potential data sources, including fishermen, scientists, vessel owners and operators, manufacturers and distributors of fishing gear and supplies, insurance companies, etc., to identify -

   a. the most significant U.S. and foreign generators (sources) of potentially hazardous marine debris in the North Pacific;

   b. the types of activities, fishing gear, packaging, etc. that should be prohibited or altered to eliminate or help reduce the deposition of potentially hazardous marine debris in the North Pacific; and

c. the fisheries, gear manufacturers, distributors, etc. that would be the most useful and appropriate subjects of information and education programs aimed at eliminating or reducing the loss or dumping of potentially hazardous debris at sea;

2. develop a proposed or recommended plan for a comprehensive program to make fishermen and other potential contributors aware of the marine debris problem and steps that should be taken to eliminate or mitigate the problem;

3. design and conduct a pilot study to determine the probable effectiveness of the proposed information and education program; and

4. modify and implement the comprehensive program plan as directed.

Cost Estimate

Phase I: $25,000
Phase II: $165,000

Reporting Requirements

1. Within six weeks following contract award, the contractor shall submit: (a) an annotated outline or annotated table of contents for the final contract report; (b) a preliminary draft of the introduction and method sections for the final contract report; and (c) a preliminary list of individuals and organizations, in the United States and abroad, that have been or will be consulted to accomplish task 1 above.

2. Within four months following contract award, the contractor shall submit a preliminary plan for a proposed information and education program, including drafts of any audio/visual materials to be included as part of the program, and a proposal for a pilot study to determine the probable effectiveness of the proposed program.

3. Within forty-five days following completion of the pilot project, the contractor will submit an up-dated program plan, including a recommended program for monitoring the effectiveness of the overall program.

4. Within sixty days of the contract expiration date (one year from the commencement date), the contractor shall submit ten copies of the draft final contract report to include a description and evaluation of the program which was developed and such recommendations as may be appropriate for further work.

5. Within sixty days following receipt of comments on the draft report, the contractor shall submit a camera-ready original and one copy of the final report.

b. West Coast/New England Coast Beach Clean-up, September 21st, 1985 $40K

At the Workshop on the Fate and Impact of Marine Debris, actions taken in 1984 by the State of Oregon to increase public awareness of the problem were discussed at length. On October 13th of that year, approximately 2,100 volunteers collected more than twenty-six tons of plastic debris from Oregon beaches. In so doing, they also gathered certain useful information, previously non-existent, on the incidence and volume of debris along the coast. Of perhaps even greater long-term significance was the fact that the exercise generated considerable public interest in and recognition of the scope and magnitude of the problem. A similar clean-up is planned for the entire West Coast and the New England Coast on September 21st, 1985. Project support is to provide for the coordination of the effort, publication of instruction booklets describing methods for classifying collected debris, analysis of the data on materials collected, and other activities necessary to organize and evaluate the project. As in the case of Oregon, it is anticipated that while the project will have transitory benefit in terms of beach clean-up, even greater long-term benefits will be realized as a result of the greatly heightened public awareness of the problem.

Specific Objectives

- Organize and coordinate voluntary beach clean-up programs in both the northeastern and northwestern United States.

- Describe the material collected.

- Publicize the problems created by marine debris.

Methods

To meet the project objectives, the National Marine Fisheries Service will contract with one or more suitably qualified individual(s) or organization(s) to:

1. plan, organize, publicize and coordinate a volunteer program to collect fishing gear and other debris washed-up on beaches in New England and along the U.S. west coast;

2. sample and estimate the types and quantities of debris present in various areas; and

3. determine the utility and the optimal methods for organizing, publicizing, and conducting future volunteer beach clean-up programs.

Cost Estimate

The estimated cost includes: preparation and printing of an instructional "how-to" booklet, letters to volunteers, etc. ($5,000); postage ($2,000); travel ($10,000); telephone ($5,000); materials, or supplies and equipment ($8,000); and secretarial and coordinate support ($10,000).

Reporting Requirements

1. Within six weeks following contract award, the contractor(s) will submit (a) a regional organizational plan including the names of regional and area coordinators, and (b) a draft of a "how-to" instruction booklet to be provided to regional and area coordinators and individual volunteers.

2. On or about the end of each month, prior to the designated "clean-up" day, the contractor shall submit a progress report indicating what was accomplished during the month and any problems that were encountered.

3. Within three months following the designated beach clean-up day, the contractor(s) will submit copies of a draft report describing the purpose, nature, and results of the project and such follow-up activities as may be appropriate.

4. Within 30 days following receipt of reviewers' comments, the contractor shall submit a camera-ready original and one copy of the final contract report.

2. SCIENTIFIC AND TECHNICAL INFORMATION TOTAL $610K

These activities are designed to increase our understanding of the origin, amount, distribution, fate, and effects of debris in the marine environment as well as our knowledge of the means whereby it may be removed.

a. Northern fur seal entanglement research $180K

Participants at the Workshop on Fate and Impact of Marine Debris concluded that: (1) northern fur seals may suffer more serious impacts as a result of entanglement in marine debris than any other species; (2) trawl net fragments and plastic packing bands appear to be the primary problem; (3) the only available data on fur seal entanglement are from the subadult male harvest; and (4) no data are available for other age and sex classes. This effort would provide information on the survival rate of entangled males and females, the entanglement rate in large and small net fragments at sea, and the effects of entanglement on the feeding cycle of lactating females. Because northern fur seals range over the entire North Pacific, the species should provide a biological assay as to the amount of certain types of marine debris that are discarded in the North Pacific.

Specific Objectives

- To determine the rates of entanglement of bachelor males, mature females, and young-of-the-year northern fur seals.
- To compare the survivorship of bachelor males that are entangled with those that are not.
- To compare the average duration of feeding trips for lactating adult females that are entangled with lactating adult females that are not entangled.
- To assess the metabolic cost to young-of-the-year fur seals of dragging pieces of marine debris through the water.
- To compare the rates of entanglement of fur seals in large versus small trawl net fragments.
- To describe the materials in which fur seals are entangled.

Methods

To meet the project objectives, the National Marine Fisheries Service (National Marine Mammal Laboratory) will contract with suitably qualified individuals or organizations and/or will provide staff, equipment, and logistic support to:

1. conduct surveys of fur seal aggregations on rookeries and hauling grounds on the Pribilof Islands and on beaches near Unimak Pass and other areas where fur seals haul out to better determine the numbers of fur seals, by age and sex, being entangled in marine debris, and the different types and sizes of debris in which fur seals are observed to be entangled;
2. conduct mark/resighting or tracking studies to determine whether lactating females are becoming entangled in debris while they are away from their pups feeding at sea, and whether entanglement affects the length of feeding cycles;
3. weigh and measure a representative sample of pups with "normal" and "entangled" mothers to determine whether entanglement of the mother affects pup growth and survival;
4. conduct observations of fur seal behavior around netting anchored offshore to determine how different age/sex classes of seals, particularly young seals, behave in or near such netting; and

5. as necessary, design and conduct additional experiments with captive animals to determine the metabolic cost of entanglement.

Cost Estimate

Salaries (30 staff months -- GS-9)	$ 75,000
Equipment	
Radio receivers 2 at 1500	3,000
Recorders 1 at 2500	2,500
Microprocessors	5,000
Contracts	
1. Metabolic study of entangled fur seals	10,000
2. Fall '85/winter '86 field survey	20,000
3. Vessel charter	25,000
Supplies	
Radio transmitters (40 at 175 each)	7,000
Electronic supplies	1,000
Field supplies	2,500
Laboratory supplies	3,000
Computer time	5,000
Shipping	1,000
Travel	
Round trip airfare to Alaska (7 trips)	14,000
Per diem for field personnel	6,000
Total	$180,000

Reporting Requirements

1. A detailed program plan and budget justification shall be submitted to the Marine Debris Program Manager by 1 June 1985 for review and approval.

2. Progress reports indicating what has been accomplished and any problems that were encountered shall be submitted to the Program Manager at four to six week intervals throughout the field phase of the project.

3. Ten copies of a draft project report shall be submitted to the Program Manager by 30 January 1986. The report should include, but not be limited to:

- an analysis of trends and entanglement rates of bachelor males, adult females and pups,
- an assessment of the types, sizes, and possible sources of materials in which fur seals have been observed entangled,
- an evaluation of the extent to which entanglement affects bachelor males, nursing females and young-of-the-year,
- an assessment of the adequacy of existing data to evaluate the hypothesis that net entanglement is responsible for the observed decline in numbers of northern fur seals,
- identification of critical data gaps and deficiencies in on-going and planned research, and

- an indication of the time, personnel and funding necessary to fill critical data gaps and correct deficiencies in on-going and planned research programs to evaluate the above hypothesis.

4. A camera-ready original and one copy of the final project report shall be submitted to the Program Manager within sixty days following receipt of reviewers' comments.

b. Northern sea lion entanglement research $85K

A recent survey indicates that the sea lion population in the eastern Aleutians is declining at a rate comparable to that observed in the northern fur seal population. The study is to provide information on the rate of entanglement of all age and sex classes of the northern sea lion population, and will concentrate on entanglement effects on the survival of sea lion young of the year. If this research provides evidence that entanglement in marine debris is causing or contributing to the observed decline, such knowledge may provide valuable information on causative factors in both the northern fur seal and Steller sea lion population declines.

Specific Objectives

- To determine the rate of entanglement of adult males, adult females, and weaned Steller sea lion pups at rookeries in the eastern Aleutian Islands.
- To describe the debris in which animals are entangled.
- To determine whether the rate of population decline is correlated with the rate of entanglement.

Method

To meet the project objectives, the National Marine Fisheries Service will contract with a suitably qualified individual(s) or organization(s) and/or provide suitably qualified staff to:

1. survey Steller sea lion rookeries and haul-out location in the eastern Aleutian Islands in late June and early July 1985 to determine --
    a. the number of animals, by age and sex, present at various locations;
    b. the number of animals, by age and sex, found entangled in netting or other debris;
    c. the types and dimensions of debris observed on animals; and
    d. the types and quantities of potentially hazardous litter present in and near the rookeries and haul-out locations; and
2. if necessary, conduct follow-up surveys in November 1985 to determine whether and, if so, the proportion of pups that have become entangled during their early pelagic foraging excursions.

Cost Estimate

Contract: to cover fall field survey	$ 5,500
Vessel charter: 27 days at $2,650 per day	69,500
Travel: 5 trips to Dutch Harbor, plus per diem	10,000
Total	$85,000

Special Logistic Requirements

Charter of a suitable vessel to safely and efficiently transport the survey team to and from rookeries and haul out locations in the eastern Aleutian Islands will be required.

Reporting Requirements

1. No later than forty-five days prior to initiation of the June/July surveys, the National Marine Fisheries Service or the contractor shall provide an annotated outline for the final project report and a draft of the introduction and methods sections of the report.

2. By 1 March 1986, the National Marine Fisheries Service or the contractor will submit ten copies of the draft project report. The draft report shall include, but not be limited to:

- an evaluation of the extent of entanglement of adult males, adult females, and pups-of the-year and whether or not this level of entanglement possibly could be causing or contributing to the continuing Steller sea lion decline in the eastern Aleutians;
- an assessment of the adequacy of existing data to evaluate the hypothesis that net entanglement is responsible for the observed decline in numbers of northern sea lions;
- identification of critical data gaps and deficiencies in on-going or planned research; and
- a description of the time, personnel, and funding necessary to fill critical data gaps and correct deficiencies in on-going or planned research programs to evaluate the above hypothesis.

3. Within thirty days following receipt of reviewers' comments, the National Marine Fisheries Service or the contractor will submit a camera-ready original and one copy of the final project report.

c. Establishment of a reference collection and development of expertise to identify marine debris $50K

There is a need to be able to identify derelict fishing gear and other debris. Physical characteristics such as the type of knot, the material, the hanging construction, etc., can provide information as to the source of derelict gear. Source identification is critical to the development of mitigating measures, and this effort would provide for (1) a gear specialist to become familiar with the fishing gear that is used in various foreign and domestic fisheries, and (2) the establishment of an identification center, complete with a full reference collection, where different types of debris could be sent for identification.

Specific Objectives

- To establish a reference collection of netting, packing bands, and other materials that can be compared to and used to determine the source of marine debris.
- To develop a "protocol" for determining when and what types of material should be collected and sent to the Debris Identification Center for assessment.
- To develop and distribute a standard reporting form (tag) that can be affixed to sample

materials sent to the Debris Identification Center.

- To inform potential users of the existence of the Debris Identification Center and the services it provides.

- To establish liaison with the Office of Marine Pollution Assessment.

Methods

To meet the project objectives, the National Marine Fisheries Service will:

1. establish a marine debris reference collection and Debris Identification Center as a component of the Gear Loft at the Northwest and Alaska Fisheries Center;

2. develop a protocol describing how to collect, mark, and send debris to the Identification Center for evaluation; and

3. inform other fishery centers and potential users of the existence and procedures for using the Identification Center.

Cost Estimate

$42,500 travel, secretarial and support services for collection and cataloguing of reference materials, development of an identification key, and for the first year's operation of the center (subsequent operational costs will be borne by the Northwest and Alaska Fisheries Center)

$7,500 travel to obtain and verify reference material

Reporting Requirements

1. By 1 June 1985, the Northwest and Alaska Fisheries Center will submit a detailed plan for developing the reference collection, providing instructions to potential users, and operating the Debris Identification Center.

2. As soon as possible, the Northwest and Alaska Fisheries Center will develop and periodically publish and distribute a Newsletter explaining the nature and purpose of the Debris Identification Center and how it can be used.

d. Accumulation and disappearance rates of marine litter on beaches in Alaska $35K

Marine litter, including derelict net fragments, accumulates on beaches where it can be inventoried. A recent study in Alaska indicates that the amount of accumulated debris can be correlated with the number of vessels that fish in the U.S. economic zone. The objective of this study is to establish a monitoring system for evaluating the effectiveness of various management actions designed to reduce the amount of debris discarded at sea. In the first phase of the study, an experiment will be conducted to determine how sensitive beach surveys are to the sampling intensity and variability in the rate of debris accumulation. If this work demonstrates that beach surveys of marine litter are efficient for detecting changes in the accumulation rate of debris, long-term monitoring programs should be initiated.

Specific Objectives

- To determine the rate of deposition and loss of fishing gear and other debris on selected beaches in Alaska.

- To establish a baseline for future comparisons concerning the net accumulation rate of marine debris.
- To determine the sensitivity of different survey designs in detecting changes in the rate of accumulation of marine debris on beaches in Alaska.
- To design a long-term monitoring program, including the sampling regime, an operations guide, and a discussion of the expected precision of the proposed methodology.

Methods

To meet the project objectives, researchers from the Auke Bay Laboratory of the Northwest and Alaska Fisheries Center of the National Marine Fisheries Service will:

1. design and conduct a series of mark/resighting and removal experiments to determine the rate and the sensitivity of different methods for measuring the rate of accumulation and disappearance of different types of marine debris on selected Alaskan beaches; and
2. develop a protocol to serve as a guide for designing and implementing long-term beach debris monitoring programs in Alaska and elsewhere.

Cost Estimate

Salaries and benefits	$11,000
Aircraft and helicopter charter	10,000
Travel	12,000
Supplies and equipment	2,000
Total	$35,000

Reporting Requirements

1. A detailed project plan and time table shall be submitted to the Program Manager by 1 June 1985 for review and approval.

2. Progress reports indicating what has been accomplished and any problems encountered shall be submitted to the Program Manager at intervals to be decided.

3. Ten copies of a draft project report, including recommendations for follow-up research or monitoring studies, are to be submitted to the Program Manager by 1 January 1986.

4. A camera-ready original and one copy of the final project report is to be submitted to the Program Manager within thirty days following receipt of comments on the draft report.

e. Compilation and analysis of U.S. fishery observer data on marine debris in the foreign and joint venture groundfish fishery $25K

There is now available a collection of several hundred data reports providing information on debris observed during foreign fishing operations in the eastern Bering Sea. There are also recorded observations on the loss of gear as it occurred during operations. These data, which have been collected since the fall of 1982, have yet to be tabulated and evaluated. The objective of this study is to compile and evaluate information contained in the 1983 and 1984 fishery observer logbooks to determine (1) if observer logbook data should be summarized and analyzed for the years in which partial data were collected (1976-1982); (2) if observer logbook data should be routinely summarized and analyzed now and in the future; and (3) if some modification in logbook format is appropriate.

Specific Objectives

- Extract and summarize information in fishing observer logbooks pertinent to fishing gear loss and disposal and entanglement of marine mammals and birds in such gear or other debris in the Bering Sea and the Gulf of Alaska.
- Evaluate the reliability and utility of logbook information and, as appropriate, recommend further analysis or collection of additional data.
- Determine if it would be desirable to modify the logbook format to facilitate collection of useful data.

Methods

To meet the project objectives, designated staff at the Northwest and Alaska Fisheries Center will:

1. review and extract any relevant information from handwritten logbooks kept by observers aboard vessels fishing in the U.S. FCZ in the Bering Sea and the Gulf of Alaska in 1983 and 1984;
2. summarize data pertaining to loss and dumping of fishing gear and entanglement of marine mammals and birds in such gear or other debris;
3. evaluate the retrieved data to determine whether they provide useful insight into the nature of the entanglement problem and how it might be reduced; and
4. determine whether it would be desirable to encourage additional observations and/or modify the logbook format to facilitate data collection.

Cost Estimate

Labor (GS-9, 6 months)	$14,000
Secretarial	5,000
Computer	6,000
Total	$25,000

Reporting Requirements

1. A detailed project proposal and budget justification shall be submitted to the Program Manager by 1 June 1985 for review and approval.

2. Ten copies of a draft project report shall be submitted to the Program Manager by 1 September 1985.

3. A camera-ready original and one copy of the final project report shall be submitted to the Program manager within thirty days following receipt of reviewers' comments.

f. Survey of high seas squid gillnet fishery $100K

A large squid fishery has been developing since 1978 outside the U.S. Fishery Conservation Zone in the central North Pacific. The fishery may be the source of much of the derelict gillnet gear found in Alaskan waters. Unfortunately, virtually nothing is known about the fishery and recent attempts to put observers on vessels in the fishery have failed. Therefore, it is appropriate and necessary to determine the feasibility of monitoring this fishery by direct observations from small charter boats. Not only will the information collected by observers on this initial charter boat survey provide rough estimates of loss rates, entanglement of non-target species in actively fishing and lost gear, and the fate of lost gear, it will, even more importantly, provide the background information necessary to develop a large-scale survey of such statistical significance that it could be expected to shed definitive light on those points. Without this research, the contribution of the fishery to the marine debris problem will remain unknown and our ability to develop mitigating measures therefore severely impaired.

Specific Objectives

- Determine the feasibility of monitoring the high seas squid gillnet fishery by direct observations from small chartered boats.
- Make an initial appraisal of using aerial surveillance, direct surface search, and other methods to locate boats engaged in this fishery.
- Make initial estimates of catch by species and species groups by gill netters in this fishery.
- Determine feasibility of locating and marking derelict gear.
- Develop better understanding of fishing patterns and techniques.

Methods

To meet the project objectives, the National Marine Fisheries Service will contract with a suitably qualified individual(s) or organization(s) to:

1. charter one or more vessels to safely and efficiently locate and provide a platform for observing the high seas squid gillnet fishery in the central North Pacific;
2. provide suitably trained and qualified observers to (a) carry out direct observations of a representative sample of net hauls and determine the numbers, size and species of squid and other organisms caught in the nets, (b) record, collect samples, mark and determine the number of animals, by species, age/size and sex, entangled in any lost or discarded fishing gear or other debris; and
3. analyze catch, effort, and related data to estimate: the total amount of gill net, of different types and length, fished by day, location and season; the daily and seasonal catch of target and non-target species; the types, quantities and, as possible, movements of fishing gear lost or discarded at sea; and the species and numbers of animals caught in lost and discarded fishing gear.

Cost Estimate

Vessel charter - 60 days at $1200	$72,000
2 observers - 3 months at 3700/month	22,000
Equipment - camera, binocular, instruments, etc.	4,000
Travel and planning	2,000
Total	$100,000

Special Logistic Requirements

Charter boat of approximately 90-100' in length with: a cruising range of at least 45-60 days; adequate space for at least 2 observers; and functioning RDF, LORAN C, RADAR, and water temperature recording equipment on board.

Ask U.S. Coast Guard for surveillance flights in areas of interest to locate gill netters, record the locations and numbers of boats present, and provide such other information as may be useful for assessing the nature and scope of the fishery.

Reporting Requirements

1. A proposed budget and survey plan, including descriptions of the methods that will be used to locate and observe target gill netters and to record and analyze data, shall be submitted to the Program Manager by 1 June 1985 for review and approval.

2. Progress reports indicating what has been accomplished and any problems encountered shall be submitted to the Program Manager as directed.

3. Ten copies of a draft project report shall be submitted to the Program Manager by 1 December 1985.

4. A camera-ready original and one copy of the final project report shall be submitted to the Program Manager within thirty days following receipt of reviewers' comments.

g. Identification of sources of fishing debris affecting endangered marine animals in the northwestern Hawaiian Islands $15K

Endangered and threatened species of wildlife such as the Hawaiian monk seal and the green sea turtle of the Hawaiian Archipelago are being subjected to increased mortality risks due to discarded and lost material from gillnet, trawl, and other fisheries. Under this project, (a) samples of beach debris from the northwestern Hawaiian Islands will be catalogued and identified as to the possible source fishery and location, and (b) estimates of the current rate of accumulation will be made. If this work is not done, the type of debris responsible for entangling endangered and threatened species in the Hawaiian area will remain essentially unidentified.

Specific Objectives

- Catalogue samples of potentially hazardous debris collected during the last four years in the northwestern Hawaiian Islands.
- Utilize the Northwest and Alaska Fisheries Center's Debris Identification Center to determine, as possible, the sources of potentially hazardous debris that has been collected.
- Design and conduct mark/resighting and/or removal experiments to determine the accumulation and disappearance rates of various types of marine

debris that could pose a hazard to endangered seals and turtles in the northwestern Hawaiian Islands.

Methods

To meet the project objectives, the National Marine Fisheries Service will contract with a suitably qualified individual or organization or provide suitably qualified staff to:

1. catalogue samples of net, rope, and other potentially hazardous debris found on the northwest Hawaiian Islands since 1982;
2. select and send samples of collected debris to the Debris Identification Center at the Northwest and Alaska Fisheries Center to determine, as possible, the probable source or sources of the debris; and
3. design and conduct mark/resighting or removal experiments on selected beaches to determine the rates at which potentially hazardous debris are being deposited on and cleared from beaches in the northwestern Hawaiian Islands.

Estimated Cost

$15,000 for temporary help and administrative support for cataloguing and mailing samples, and for conducting additional beach surveys.

Reporting Requirements

1. A proposed program plan and budget shall be submitted to the Program Manager by 1 June 1985 for review and approval.

2. Progress reports describing what has been accomplished and any problems that have been encountered shall be submitted to the Program Manager as directed.

3. Ten copies of a draft project report shall be submitted to the Program Manager by 1 January 1986.

4. A camera-ready original and one copy of the final project report shall be submitted to the Program Manager within thirty days following receipt of reviewers' comments.

h. Dynamics of derelict gillnet gear in in the North Pacific $30K

The increasing volumes of non-degradable debris in the world's oceans, especially the increase in lost and discarded fishing gear, is now a matter of broad concern. It is not known how long derelict gillnets continue to fish, and this study is to develop information on the ghost fishing profile of derelict gillnets in the North Pacific. The information will come primarily as a result of intentionally setting gillnets adrift and then following them to determine changes in the physical characteristics of the gear during the early, mid, and late stages of being derelict. If this is not done, we shall remain essentially ignorant of the ghost fishing potential of gear lost from any drift gillnet fishery in the North Pacific.

Specific Objectives

- To develop a conceptual model of the dynamics of lost or discarded gillnets.

- To conduct field experiments to test the model.

Methods

To meet the project objectives, researchers from the Honolulu Laboratory of the Southwest Fisheries Center, National Marine Fisheries Service, will:

1. develop a conceptual model of the dynamics of gillnets from the time that they are lost or discarded until they sink or wash ashore; and

2. design and conduct a series of field experiments to test the model - e.g., to determine changes in the physical characteristics and "fishing" capacity of gillnets in the hours, days, weeks, and months following release.

Estimated Cost

$30,000 for salaries, logistic support, and purchase of experimental gear.

Reporting Requirements

1. A detailed budget and experimental protocol will be developed and submitted to the Program Manager by 1 June 1985.

2. Progress reports describing what has been accomplished and any problems that have been encountered shall be submitted to the Program Manager as directed.

3. Ten copies of a draft final report will be submitted to the Program Manager by 15 August 1985.

4. A camera-ready original and one copy of the final project report will be submitted to the Program Manager within thirty days following receipt of reviewers' comments on the draft report.

i. Impact of ingested debris on sea turtles $30K

The growing volume of long-lived ocean debris in recent years has been accompanied by increased reports of sea turtle ingestion of plastic bags, sheets, and pellets as well as entanglement in tar, rope, and fragments of fishing net. It is thought that turtles ingest plastic bags and sheets because they are similar in appearance to their principal food item, jellyfish. At present, there is no information on the effects of ingesting plastic on the longevity and reproductive potential of turtles. Under this project, experiments on captive animals would be done to determine the relationships between type and quantity of debris ingested and subsequent mortality, general physical condition, feeding behavior, and, as possible, hydrocarbon uptake.

Specific Objective

- To experimentally determine whether and how survival and productivity of sea turtles are affected by ingestion of plastic bags and other types of debris commonly recovered from the digestive tract of sea turtles.

Methods

To meet the project objective, the National Marine Fisheries Service will contract with a suitably qualified individual or organization or provide suitably qualified staff to:

1. design and conduct a series of experiments on at least two species (preferably green and loggerhead) and at least two age classes of sea turtles to determine the types of potentially hazardous debris most likely to

be ingested and how ingestion of different types and quantities of debris affects feeding behavior, general physical condition, survival, and, as possible, hydrocarbon uptake; and

2. obtain and evaluate available sea turtle stranding data for evidence of mortality or morbidity caused by ingestion of foreign substances.

Cost Estimate

$30,000 for salaries and capture and maintenance of experimental animals, travel, and logistic support.

Reporting Requirements

1. A proposed experimental protocol and budget shall be submitted to the Program Manager by 30 May 1985 for review and approval.

2. Progress reports indicating what has been accomplished, and any problems that have been encountered, will be submitted to the Program Manager as directed.

3. Ten copies of a draft project report shall be submitted by 31 December 1985.

4. A camera-ready original and one copy of the final project report shall be submitted within thirty days following receipt of reviewers' comments.

j. Impact of ingested plastic on sea birds $30K

Observers have recorded ingestion of plastics in fifty species of marine birds. Species which feed primarily by surface-seizing or pursuit diving have the highest occurrences of ingesting marine debris. Although plastic ingestion has been observed in many species of marine birds and is thought to be increasing, there is uncertainty as to whether plastic ingestion has detrimental effects on the health of individual birds or on their reproductive success. The purpose of this study is to evaluate impacts of plastic ingestion on one or more species of seabirds in captivity with respect to direct mortality, general physical condition, and, as possible, hydrocarbon uptake. Where possible, field experiments will be designed to complement the studies done in captivity.

Specific Objective

- To better determine whether and to what extent ingestion of plastic or other marine debris affects the survival, productivity, general physical condition, and, as possible, hydrocarbon uptake of sea birds.

Methods

To meet the project objective, the National Marine Fisheries Service, in consultation with the U.S. Fish and Wildlife Service's Office of Migratory Bird Management and other relevant agencies, will contract with a suitably qualified individual(s) or organization(s) to:

1. design and conduct a series of experiments and/or observations, involving captive and/or wild seabirds known or thought to ingest substantial amounts of plastic, to determine factors causing or contributing to the ingestion of foreign substances and how ingestion of such substances affect the behavior, general physical condition, survival, productivity, and hydrocarbon uptake of selected seabirds; and

2. obtain and evaluate available seabird stranding data for evidence of mortality or other problems caused by ingestion of marine debris.

Cost Estimate

$30,000 for salaries, capture and maintenance of experimental animals, travel, and logistic support.

Reporting Requirements

1. A proposed experimental protocol and detailed budget shall be submitted to the Program Manager by 30 May 1985 for review and approval.

2. Progress reports indicating what has been accomplished, and any problems that have been encountered, shall be submitted to the Program Manager as directed.

3. Ten copies of a draft project report shall be submitted by 31 December 1985 for review and comment.

4. A camera-ready original and one copy of the final project report shall be submitted within thirty days following receipt of reviewers' comments.

k. Method for surveying at sea distribution and abundance of marine debris $20K

The purpose of this study is to test the utility of carrying out surveys in the Bering Sea and/or Gulf of Alaska to determine the abundance and distribution of marine debris at or near the surface. Different survey methodologies will be developed and tested for practicality in quantitatively estimating debris density in total and by type. Whatever biases may exist with differing methods will be described as will the comparative cost of each. The study will evaluate the relative merits of platforms of opportunity in addition to using dedicated vessels. Field experiments will be done as necessary to test for possible biases in data collection methodologies.

Specific Objectives

- Assess the potential utility of carrying out surveys in the Bering Sea and the Gulf of Alaska to determine the abundance and distribution of marine debris at or near the water surface.

- Design a program for assessing and monitoring the at-sea distribution and abundance of marine debris.

Methods

To meet the project objectives, the National Marine Fisheries Service will contract with a suitably qualified individual or organization to:

1. review relevant literature and consult knowledgeable persons to identify the existing data base, methods that possibly could be used to locate and characterize marine debris at sea, and factors - such as oceanographic conditions - that should be considered in developing an optimal survey design;

2. design and conduct field experiments to assess the practicality and utility of the possible survey methodologies; and

3. based upon the results of tasks 1 and 2, recommend and provide a cost estimate for a program to assess and monitor the at-sea distribution of

lost and discarded fishing gear and other marine debris in the Bering Sea and the Gulf of Alaska.

Cost Estimate

Literature survey	$ 4,000
Field experiments	14,000
Statistical analysis of survey design	2,000
Total	$20,000

Reporting Requirements

1. A detailed work statement and budget estimate shall be provided to the Program Manager by 1 July 1985 for review and approval.

2. Progress reports indicating what has been accomplished, and any problems that have been encountered, will be submitted to the Program Manager as directed.

3. Ten copies of a draft contract report will be submitted by 31 December 1985.

4. A camera-ready original and one copy of the final contract report shall be submitted within forty-five days following receipt of reviewers' comments.

1. Expansion of information collected by stranding programs $10K

Information and samples of value in investigating entanglement and debris ingestion can be collected from marine mammals, birds, and turtles found dead on the beach. Under this project, the National Marine Fisheries Service would intensify its educational efforts with stranding networks, particularly in Alaska, in order to encourage the collection and processing of more information on the impact of marine debris on marine mammals and other species.

Specific Objectives

- Determine how existing stranding programs can be used to facilitate acquisition of information concerning the nature and extent of problems caused by ingestion of and entanglement in marine debris.

- Develop guidelines or protocols to assist in obtaining the best information and samples possible from stranding programs.

- Disseminate information and establish procedures to obtain, analyze, and archive data and samples regarding ingestion of and entanglement in marine debris.

Methods

To meet the project objectives, the National Marine Fisheries Service will contract with a suitably qualified individual or organization to:

1. review available data and consult persons involved in beach stranding networks to determine whether and what types of information and samples bearing upon the marine debris problem are being collected, and how these data and samples are being reported, analyzed, and archived;

2. determine whether and how existing stranding networks might better be utilized to facilitate

acquisition of information concerning the nature, location, and extent of problems caused by ingestion of or entanglement in various types of marine debris; and

3. prepare a handbook that can be distributed through the existing stranding networks to facilitate collection, reporting, analysis, and archiving of information and samples needed to assess and monitor the nature, location, and extent of problems caused by lost and discarded fishing gear and other marine debris.

Cost Estimate

$10,000 for salary, literature review, travel and telephone consultations, data analysis, and report preparation.

Reporting Requirements

1. Within six weeks following contract award, the contractor shall submit an annotated outline or annotated table of contents for the aforementioned handbook, and a list of organizations and individuals that have been or will be consulted pursuant to task 1 above.

2. Within six months following contract award, the contractor will submit ten copies of the draft handbook, including figures, report forms, and artwork to be included in the handbook for review and approval.

3. Within sixty days following receipt of reviewers' comments on the draft handbook, the contractor shall submit a camera-ready original of the handbook suitable for publication.

3. MITIGATION TOTAL $140K

These projects are directed towards reducing the amount of non-degradable material that is disposed of at sea. While the beach clean-up program described under "Education and Public Awareness" might also be included under "Mitigation", it is listed in the former section because its beneficial effects upon increased public awareness and education are probably of greater long-term benefit than the clean-up itself.

a. Development of methodology to reduce the disposal of refuse into the marine environment $60K

Participants in the Workshop on the Fate and Impact of Marine Debris recommended that, however possible, the fishing industry, the ship/transportation fleet, and all research and military vessels be encouraged to reduce the amount of refuse thrown overboard. The purpose of this project is to provide for the synthesis of existing information on compaction and incineration methods for at sea disposal of refuse, to identify new compaction or incineration systems, to assess the feasibility of greatly increasing the use of degradable materials for packaging and in general supplies, and to evaluate the economic feasibility of recycling programs for non-degradable refuse. Without such initiatives, the current disposal rate of over 6 million tons per year will continue unchecked.

Specific Objectives

- To synthesize and evaluate existing information concerning the nature, cost, and utility of equipment and procedures that have been or are being used to compact and store or incinerate non-degradable refuse at sea.

- To assess the feasibility of developing and encouraging or requiring use of biodegradable materials, including preferential use of supplies and equipment from companies that minimize the use of non-degradable materials.

- To evaluate the possibility of developing economically feasible recycling programs for certain non-degradable materials.

- To conduct or recommend such field tests as may be necessary or desirable to evaluate the practical and economic feasibility of potentially promising mitigation measures involving compaction, incineration, recycling, or other means.

Methods

To meet the project objectives, the National Marine Fisheries Service will contract with a suitably qualified individual(s) or organization(s) to:

1. review relevant literature and consult a representative sample of commercial fishing boat operators caught, cargo and transport companies, military and NOAA vessel operators, manufacturers and distributors of fishing gear and supplies, and manufacturers of compaction and incineration systems to determine:
    a. the types and quantities of non-degradable materials being disposed at sea and the methods whereby these materials are being disposed; and
    b. equipment and programs that have been or are being developed and used to facilitate safe, at-sea disposal or return and on-land disposal of non-degradable materials;
2. evaluate the information obtained pursuant to task 1 to identify procedures and equipment that should be utilized or further evaluated to permit safe at-sea disposal or to eliminate or reduce at-sea disposal of non-degradable fishing gear or other debris;
3. conduct or recommend such field trials of operational or experimental compactors, incinerators, or other refuse disposal systems as may be necessary and appropriate to evaluate the practicality and economic feasibility of potentially promising waste disposal systems identified pursuant to tasks 1 and 2.

Cost Estimate

Cost will depend, to a large extent, on the nature and extent of engineering and field studies that are proposed and the level of industry involvement. The $60,000 cost estimate provides funds for a literature review and a modest amount of travel, both domestically and abroad, to identify and make preliminary evaluations of potentially promising programs or systems for encouraging recycling or permitting safe at-sea disposal of non-degradable refuse.

Reporting Requirements

1. Within four weeks following contract award, the contractor shall submit: (a) an annotated outline or annotated table of contents for the final contract report; (b) preliminary drafts of the introduction and method sections for the final contract report; and (c) a preliminary list of individuals and

organizations which will be consulted to help obtain information necessary to meet the project objectives.

2. At four to six week intervals, as directed by the Program Manager, the contractor will submit progress reports indicating what has been accomplished, any problems that have been encountered, and any actions that might usefully be initiated by the National Marine Fisheries Service to take prompt advantage of study results.

3. Within nine months following contract award, the contractor shall submit ten copies of a draft contract report for review and comment.

4. Within thirty days following receipt of reviewers' comments on the draft report, the contractor shall submit a camera-ready original and one copy of the final contract report.

b. Research on the use of degradable materials $45K

The purpose of this study is to start research on the nature and characteristics of synthetic materials involved in the fabrication of fishing gear, packaging materials, and commonly used supplies with a view to exploring the potential for building degradability into a number of the materials and components used.

Specific Objectives

- To identify possible ways whereby fishing gear or other potentially hazardous materials can be constructed or handled to minimize possible hazards to wildlife and shipping.
- To develop and, as possible, test prototype systems that possibly could be used to facilitate self-destruction/degradation of potentially hazardous fishing gear.
- To work with the plastics industry to explore ways for accommodating the need for degradability in certain raw and finished plastics and plastic products.

Methods

To meet the project objectives, the National Marine Fisheries Service will contract with a suitably qualified individual(s) or organization(s) to:

1. review relevant literature and consult a representative sample of commercial fishermen, fishing gear manufacturers and distributors, and plastics manufacturers to determine:
    a. materials and construction procedures that have been or possibly could be used to cause lost and discarded fishing gear to sink or self-destruct; and
    b. steps that have been or possibly could be taken by plastics manufacturers or suppliers to reduce the persistence or dangers from plastic pellets or other packing materials discarded at sea;
2. develop and, as possible, test material and construction methods that might help eliminate or reduce hazards from lost and discarded fishing gear; and

3. recommend such follow-up activities as seem necessary or desirable to eliminate or reduce hazards from lost and discarded fishing gear and other marine debris.

Cost Estimate

The cost of this project will depend, to a large extent, upon the level of industry involvement and the types of studies proposed to evaluate the practical utility and economic feasibility of developing fishing gear which will self-destruct. The $45,000 allocated for the project will cover basic personnel salaries, travel to consult with fishermen, gear manufacturers, and plastic manufacturers, and report preparation.

Reporting Requirements

1. Within four weeks following contract award, the contractor will submit: (a) an annotated outline or annotated table of contents for the final contract report; (b) a preliminary draft of the introduction and method sections for the final report; and (c) a preliminary list of fishermen, gear manufacturers, plastic manufacturers, etc. that will be consulted to help obtain the information needed to meet the project objectives.

2. As directed by the Program Manager, the contractor will submit progress reports indicating what has been accomplished, any problems that have been encountered, and any actions that usefully might be initiated by the National Marine Fisheries Service before completion of the project.

3. Within six months following contract award, the contractor shall submit ten copies of the draft final contract report.

4. Within forty-five days following receipt of reviewers' comments on the draft report, the contractor shall submit a camera-ready original and one copy of the final contract report.

c. Development of regulatory approaches to the problems of marine debris $5K

At the Workshop on the Fate and Impact of Marine Debris, Michael J. Bean of the Environmental Defense Fund reported on a wide range of existing legal authorities that might be used to address marine debris problems. The purpose of this study is to further develop the most promising options outlined in that report and such others as may appear feasible. Whereas the potential use of existing laws, treaties, and programs for minimizing the deposition of harmful debris into the ocean was explored in the first report, it is anticipated that the product of this second review will be a series of detailed specific actions to be pursued under existing authority, and that the report will also include, where appropriate, specific recommendations for changes in the text of international conventions, domestic statute, or regulations.

Specific Objectives

- To identify specific regulatory actions or other actions that could and should be pursued under existing authorities.
- To identify, where necessary and appropriate, changes that should be made in the text of international conventions, domestic statutes, or implementing regulations to facilitate resolution of problems caused by marine debris.

Methods

To meet the project objectives, the National Marine Fisheries

Service will contract with a suitably qualified lawyer or organization to:

1. identify and conduct a detailed evaluation of state and Federal laws, international agreements, and domestic and international programs that may have a bearing upon efforts to prevent or reduce the at-sea deposition of potentially harmful debris;
2. as possible, conduct a review and evaluation of domestic authorities in other countries which may have a substantial bearing on efforts to prevent or reduce the at-sea deposition of hazardous debris;
3. review the rule-making authority of the Secretary of Commerce under the Fishermen's Protection Act with regard to preventing or reducing the loss or dumping of fishing gear at sea;
4. review the Fishery Conservation and Management Act to determine what actions or additional provisions are needed to prevent or reduce loss or dumping of fishing gear or other debris in the U.S. Fishery Conservation Zone; and
5. based upon the results of tasks 1-4 above, recommend such actions as seem necessary or desirable to more promptly and effectively address problems caused by lost and discarded fishing gear and other marine debris.

Estimated Cost

$5,000 for salaries, literature searches, and report preparation.

Reporting Requirements

1. Within four weeks following contract award, the contractor shall submit: (a) an annotated outline or an annotated table of contents for the final contract report; and (b) a list of the domestic laws and regulations, international agreements, and domestic and international programs which will be evaluated to help meet the project objectives.

2. Within four months following contract award, the contractor shall submit ten copies of a draft final contract report for review and comment.

3. Within thirty days following receipt of reviewers' comments on the draft report, the contractor shall submit a camera-ready original and one copy of the final report.

SMALL BUSINESS ADMINISTRATION

STATEMENT OF JAMES C. SANDERS, ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION

ACCOMPANIED BY:

HARRY S. CARVER, COMPTROLLER

EDWIN T. HOLLOWAY, ASSOCIATE ADMINISTRATOR FOR FINANCE AND INVESTMENT

Senator WEICKER. It is good to have you here, Mr. Administrator. Is this his swan song? Is this the last appearance of Jim Sanders before the committee? Hopefully it is just one of many more appearances to come.

In any event we will include your statement in its entirety for the record, and also Senator Bumpers and Senator Specter have statements to be included in the record. And please summarize.

[The statements follow:]

SBA U.S. Small Business Administration Washington, DC 20416

Prepared Statement of James C. Sanders
Administrator

Mr. Chairman and Members of the Subcommittee:

It is a pleasure to appear before you to discuss the Agency's FY 1986 Budget Request. Accompanying me is Harry S. Carver, our Comptroller, and Edwin T. Holloway, Associate Administrator for Finance and Investment. The request consists of budget authority in the amount of $578 million for four items as follows:

(1) Business Loan and Investment Fund Capital Appropriation	$345 million
(2) Surety Bond Guarantees Revolving Fund Capital Appropriation	8 million
(3) Salaries and Expenses Direct Appropriation	224 million
(4) White House Conference Direct Appropriation	1 million

Mr. Chairman, with your permission, before getting to the specific appropriation request items, I would like to briefly highlight our FY 1986 program. The budget submission of the Small Business Administration reflects the overall Administration's policy of limiting the size and cost of Government, reducing Federal credit

ACTIVITY, AND REDUCING OR ELIMINATING CERTAIN FUNCTIONS IN AN EFFORT TO REDUCE THE FEDERAL BUDGET DEFICIT. THIS BUDGET PLAN PROPOSES THE ELIMINATION OF CREDIT ACTIVITIES OF THE AGENCY, AND THE TRANSFER OF THE REMAINING FUNCTIONS TO THE DEPARTMENT OF THE TREASURY AND THE DEPARTMENT OF COMMERCE.

EVEN WITH THE SUPPORT OF THE MOST WELL-INTENTIONED OF GOVERNMENT PROGRAMS, NO BUSINESS, LARGE OR SMALL, CAN FLOURISH AND GROW IN THE ABSENCE OF A STRONG, VIBRANT NATIONAL ECONOMY. TODAY, FEDERAL SPENDING SO SERIOUSLY IMPERILS THE CONTINUED ECONOMIC HEALTH OF THIS COUNTRY THAT IT MUST BECOME OUR PRIMARY CONCERN WITH RESPECT TO MAINTAINING THE LONG TERM VIABILITY OF SMALL BUSINESS. A CAPITAL-ORIENTED SMALL BUSINESS CANNOT FUNCTION WHEN ITS SOURCE OF CAPITAL IS HELD HOSTAGE BY A MASSIVE DEFICIT CAUSED BY A GOVERNMENT WHICH SPENDS TOO MUCH.

THE GREATEST SERVICE THAT THE PRESIDENT CAN RENDER TO SMALL BUSINESS TODAY IS TO BRING THE DEFICIT UNDER CONTROL BY CURTAILING SOME OF THE SERVICES THAT GOVERNMENT NOW PERFORMS. THIS BUDGET SUBMISSION REFLECTS A REEVALUATION OF OUR TRADITIONAL ROLE AND ESTABLISHES PRIORITIES WHICH DISTINGUISH BETWEEN ESSENTIAL SERVICES AND THOSE WHICH CAN BE FOREGONE. HOWEVER, NO RESTRUCTURING WILL ALTER THE ADMINISTRATION'S RECOGNITION OF SMALL BUSINESS AS THE BACKBONE OF THE AMERICAN ECONOMY OR BASIC COMMITMENT TO THOSE GOALS.

THE BUDGET PROPOSAL MAINTAINS THOSE PROGRAMS WHICH PROVIDE A VOICE FOR SMALL BUSINESS AND ENSURE THAT SMALL BUSINESS INTERESTS ARE REPRESENTED IN THE DEVELOPMENT OF GOVERNMENT POLICIES AND PROGRAMS, AND WOULD TRANSFER THESE ACTIVITIES TO THE DEPARTMENT OF COMMERCE EFFECTIVE OCTOBER 1, 1985. THESE FUNCTIONS INCLUDE ADVOCACY, PROCUREMENT AND TECHNICAL ASSISTANCE, MINORITY SMALL BUSINESS/CAPITAL OWNERSHIP DEVELOPMENT, INNOVATION, RESEARCH AND TECHNOLOGY, THE NATIONAL ADVISORY COUNCIL, SCORE/ACE, SIZE STANDARDS STAFF, AND THAT PORTION OF HEARINGS AND APPEALS PERTAINING TO SIZE DETERMINATIONS. IN ADDITION, IT IS PROPOSED THAT IMPLEMENTATION OF THE WHITE HOUSE CONFERENCE ON SMALL BUSINESS BE TRANSFERRED TO THE DEPARTMENT OF COMMERCE. THESE PROGRAMS, ALONG WITH THE MINORITY

Business Development programs of the Department of Commerce, will constitute the Administration for Enterprise Development and Opportunity to be headed by an Under Secretary.

The Portfolio Management function would be transferred to the Department of the Treasury effective October 1, 1985, to carry out the collection and liquidation of the existing loan portfolio. The remaining portion of the Agency not referred to in the above categories would be eliminated by appropriate means consistent with the overall Administration's policy of limiting the size and cost of Government. It is anticipated that the elimination of these remaining functions and positions will be effected by December 31, 1985. Therefore, this budget submission requests funds for salaries and expenses to accomplish this purpose.

No new authority is requested for three of the revolving funds for FY 1986. The Disaster Loan Fund does not require a direct appropriation due to the large unobligated balance carried forward from FY 1985, as well as anticipated receipts in FY 1986. The Lease Guarantee Revolving Fund and Pollution Control Equipment Contract Guarantees Revolving Fund also have unobligated balances from FY 1985 and require no direct appropriation. This request proposes the elimination of all new bond guarantees; liquidation functions related to these activities would be transferred to the Department of the Treasury. (See attached chart.)

Now, Mr. Chairman, let me discuss the specific appropriation items.

Business Loan and Investment Fund

We are requesting a capital appropriation of $345 million for the Business Loan and Investment Fund. This compares with $484 million of additional capital provided in FY 1985. This request provides for the continuing expenses related to maintaining the Agency's portfolio, as well as anticipated disbursements to honor prior commitments under the direct and guaranty loan programs.

This request also proposes the elimination of all new direct and guaranty loan approvals. It also proposes that the Portfolio Management function be transferred to the Department of the Treasury for liquidation of the existing portfolio. A separate and distinct direct appropriation relating to these specific proposals will be included in the budget of the Department of the Treasury.

Surety Bond Guarantees Revolving Fund

We are requesting $8 million in capital for the Surety Bond Guarantees Revolving Fund as compared to $8,910,000 in FY 1985. This request will provide for the continuing expenses of the fund, including the payment of claims resulting from defaulted bonds guaranteed in prior years.

This request proposes the elimination of all new bond guarantees. A separate and distinct direct appropriation relating to these specific proposals will be included in the budget of the Department of the Treasury.

Salaries and Expenses

A direct appropriation of $224 million is requested for FY 1986 for salaries and expenses of the Small Business Administration. Included in this amount is $10 million for disaster assistance activities.

This request proposes the elimination of some activities of the Agency and the transfer of the remaining functions to the Department of the Treasury and the Department of Commerce. This request represents the total direct appropriation needed to

PHASE-OUT THE ACTIVITIES TO BE TERMINATED, AS WELL AS FUND THE REMAINING FUNCTIONS. OF THIS AMOUNT, $52,914,000 WILL BE REQUESTED WITHIN THE DEPARTMENT OF COMMERCE'S BUDGET, AND $73,961,000 WILL BE REQUESTED WITHIN THE DEPARTMENT OF THE TREASURY'S BUDGET, INCLUDING $7 MILLION FOR DISASTER SERVICING FUNCTIONS. THE REMAINING $97,125,000 WILL BE NECESSARY TO FUND FIRST QUARTER ACTIVITIES TO PROPERLY PHASE-OUT OPERATIONS.

WHITE HOUSE CONFERENCE

A DIRECT APPROPRIATION OF $1 MILLION IS REQUESTED FOR FY 1986 FOR THE WHITE HOUSE CONFERENCE ON SMALL BUSINESS. THIS REQUEST PROPOSES THE TRANSFER OF THIS FUNCTION TO THE DEPARTMENT OF COMMERCE. THEREFORE, A DIRECT APPROPRIATION FOR THIS PROPOSAL WILL BE INCLUDED IN THE BUDGET OF THE DEPARTMENT OF COMMERCE.

MR. CHAIRMAN, THIS COMPLETES MY BRIEF REVIEW OF THE SMALL BUSINESS ADMINISTRATION'S BUDGET REQUEST FOR FY 1986. WE WILL BE PLEASED TO ANSWER ANY QUESTIONS THE COMMITTEE MAY HAVE.

SMALL BUSINESS ADMINISTRATION
(DOLLARS IN THOUSANDS)

	BUDGET AUTHORITY REQUEST		
	SBA	COMMERCE	TREASURY
SALARIES & EXPENSES	$224,000	-	-
WHITE HOUSE CONFERENCE	1,000	-	-
BUSINESS LOAN FUND	345,000	-	-
DISASTER LOAN FUND	-	-	-
SURETY BOND FUND	8,000	-	-
POLLUTION CONTROL FUND	-	-	-
LEASE GUARANTEE FUND	-	-	-

	IMPACT OF LATER TRANSMITTALS		
	SBA	COMMERCE	TREASURY
SALARIES & EXPENSES	97,125	52,914	73,961
BUSINESS LOAN FUND	-	-	2,596,870*
DISASTER LOAN FUND	-	-	36,300
SURETY BOND FUND	-	-	13,572
POLLUTION CONTROL FUND	-	-	-
LEASE GUARANTEE FUND	-	-	-
WHITE HOUSE CONFERENCE	-	1,000	-

* INCLUDES REQUEST FOR BUDGET AUTHORITY TO PURCHASE $2 BILLION OF OFF-BUDGET ASSETS FROM THE FEDERAL FINANCING BANK. THIS TRANSACTION HAS NO NET OUTLAY IMPACT.

PREPARED STATEMENT OF HON. ARLEN SPECTER

U.S. SENATOR FROM PENNSYLVANIA

I would like to take this opportunity to express my support for the Small Business Administration (SBA) and the Small Business Development Centers (SBDC). The SBA is the only Federal agency created by Congress to serve the needs of the Nation's 15 million small businesses. A recent study conducted at the Massachusetts Institute of Technology concluded that it is our country's small businesses which create new jobs in this country, and the SBA serves a vital purpose as the advocate for these firms.

The very existence of many organizations in Pennsylvania, such as the Smaller Manufacturers Association in Pittsburgh, serves as proof of the importance of the SBA. At a recent hearing which I held in Philadelphia, Mr. Sam Medina, owner of Sam's Grocery in north Philadelphia; Ms. Susan Garber, director, Small Business Development Centers; and Mr. Robert Gerard, vice president and manager of Community Lending Division of Mellon Bank (East), all attested to the tremendously positive influence that the SBA has had on enabling small businesses to acquire financing, and therefore compete in the marketplace and provide valuable services. The Coalition estimates Pennsylvania will lose $71 million if the SBA loan programs are eliminated. I am particularly concerned about the effect of the proposed elimination of direct loans to veterans and the handicapped groups which need special consideration.

Since the inception of the SBDC program in 1979, one of every six small businesses in Pennsylvania benefited from the resources of the SBDC's. The survival rate for businesses receiving SBDC assistance was significantly higher than the national average.

The SBDC is a partnership of the public and private sector, with 50 percent of the program funding coming from SBA and the other half from non-Federal sources such as universities, state and local governments, economic development agencies, and the private sector.

The impact of SBDC assistance is measurable in terms of job creation and job retention. A 1983 report from Chase Econometrics projected that client growth, following SBDC assistance, created 8,750 jobs, and that an additional 5,750 secondary or spin-off jobs were created--for a total effect of 14,500 new jobs in the Commonwealth of Pennsylvania.

I support the Small Business Administration's efforts to aid business and have cosponsored legislation requiring Federal agencies to establish Small Business Innovative Research programs. In addition, I have cosponsored seminars designed to aid businesses in applying for Federal contracts and grants, and have introduced legislation allowing more firms to qualify for government contracts. While Federal budget deficits are a major concern, reductions that emasculate the Federal programs that really work are not the way to achieve a more balanced Federal budget.

PREPARED STATEMENT OF HON. DALE BUMPERS

U.S. SENATOR FROM ARKANSAS

MR. CHAIRMAN, I AM VERY HAPPY TO BE ABLE TO PARTICIPATE WITH YOU IN THESE HEARINGS TODAY CONCERNING THE BUDGET REQUEST FOR AN AGENCY IN WHICH YOU AND I HAVE GREAT INTEREST, THE SMALL BUSINESS ADMINISTRATION. IT IS INDEED FORTUNATE, BOTH FOR US AND FOR THE COMMON GOOD, THAT YOU AND I HAVE THE UNIQUE PRIVILEGE OF SERVING AS THE CHAIRMAN AND RANKING MEMBER, RESPECTIVELY, OF THE AUTHORIZING COMMITTEE FOR THIS AGENCY AND ALSO AS MEMBERS OF THE APPROPRIATIONS SUBCOMMITTEE WHICH HAS JURISDICTION OVER SBA.

I SUPPOSE EVERYONE HERE KNOWS HOW STRONGLY SENATOR WEICKER AND I FEEL ABOUT THE ADMINISTRATION'S PROPOSAL TO ABOLISH THE SMALL BUSINESS ADMINISTRATION, WHICH, I ASSUME, IS REFLECTED IN THE BUDGET REQUEST FOR THE AGENCY FOR FY 1986. THE PROPOSAL IS VERY BAD PUBLIC POLICY, AND IT HAS BEEN SHOWN TO BE SO IN THE THREE DAYS OF HEARINGS WHICH WE HAVE JUST CONCLUDED IN THE SMALL BUSINESS COMMITTEE ON S. 408, OUR THREE-YEAR AUTHORIZATION BILL FOR SBA. IF THIS ADMINISTRATION IS SERIOUS ABOUT REDUCING THE DEFICIT--AND SOMETIMES I WONDER HOW SERIOUS THEY REALLY ARE--WE SHOULD NOT BE TALKING ABOUT GETTING RID OF SOME OF THE BEST ECONOMIC DEVELOPMENT AND JOB-CREATING PROGRAMS THAT HAVE EVER BEEN IMPLEMENTED. AND I HAVE BECOME MORE CONVINCED THAN EVER BEFORE, FOLLOWING THESE EXCELLENT HEARINGS ON S. 408, THAT THE SBA'S 7(A) GUARANTEED LOAN PROGRAM, THE 503 DEVELOPMENT COMPANY PROGRAM, AND THE SMALL BUSINESS INVESTMENT COMPANY PROGRAM ARE PERHAPS THE BEST TOOLS TO

PROMOTE ECONOMIC GROWTH THAT WE HAVE EVER HAD IN THIS COUNTRY.

THESE PROGRAMS HAVE TWO GREAT VIRTUES: FIRST, THEY RELY ON PRIVATE INITIATIVE AND PRIVATE RESOURCES--THE ENTREPRENEURIAL SPIRIT WHICH HAS BEEN THE ENGINE OF AMERICAN ECONOMIC DEVELOPMENT FROM THE VERY BEGINNING. SECOND, THEY SHOW A COMMITMENT ON THE PART OF GOVERNMENT TO BE HELPFUL AND SUPPORTIVE OF THE PEOPLE WHO ARE WORKING HARD TO MAKE A BETTER ECONOMIC WAY OF LIFE FOR THEMSELVES AND FOR THEIR FELLOW CITIZENS. EACH OF THESE PROGRAMS ADDRESSES IDENTIFIABLE PROBLEMS OF THE NATION'S 14.5 MILLION SMALL BUSINESSES. THE 7(A) LOAN GUARANTEE PROGRAM IS AIMED DIRECTLY AT THE LACK OF LONG-TERM CREDIT FOR SMALL BUSINESSES FROM TRADITIONAL LENDERS. ONE WITNESS WHO TESTIFIED BEFORE THE SMALL BUSINESS COMMITTEE PUT THIS ISSUE MORE CLEARLY THAN ANYONE I HAVE HEARD. HE SAID, "IF YOU WERE A BANKER AND YOU HAD A CHOICE BETWEEN MAKING A $200,000 LOAN TO GENERAL MOTORS OR TEN $20,000 LOANS TO SMALL BUSINESSES, WHICH WOULD YOU DO?" CONGRESS RECOGNIZED THIS PROBLEM IN 1953, AND IT ASTOUNDS ME THAT SOME PEOPLE TO THIS DAY SEEM NOT TO BE ABLE TO SEE THE ISSUE. THE SBA GUARANTEE ENABLES MANY BORROWERS TO GET CREDIT, AND CREDIT OF THE KIND THAT IS REALLY PRACTICAL FOR SOMEONE ATTEMPTING TO START A BUSINESS, WHICH THEY OTHERWISE SIMPLY WOULD NOT GET. THE SBIC PROGRAM, WHICH BEGAN IN 1957, IS EVEN MORE INNOVATIVE IN THAT IT ADDRESSES THE LACK OF VENTURE CAPITAL FOR PEOPLE WHO HAVE IDEAS WHICH SEEM RISKY BUT OFFER ENORMOUS POTENTIAL. THE LIST OF SBIC SUCCESS STORIES IS TRULY AMAZING: APPLE COMPUTER, FEDERAL EXPRESS, DIGITAL SWITCH, NBI, INC., CRAY RESEARCH, AND THE LIST GOES ON. IN THE COMMITTEE WE IDENTIFIED A GROUP OF TEN TOP CORPORATIONS, WHICH IS BY NO MEANS EXHAUSTIVE OF SBIC SUCCESSES, WHICH WOULD NOT BE IN EXISTENCE TODAY BUT FOR SBIC FINANCING AND

WHICH, AT LAST COUNT, PAID A TOTAL OF $200,000,000 IN FEDERAL TAXES. THE 503 DEVELOPMENT COMPANY ALLOWS FOR A GENUINE PARTNERSHIP OF PRIVATE CAPITAL, BANK LENDING AND FEDERAL LENDING TO CREATE A SOURCE OF BRICK AND MORTAR MONEY FOR PROJECTS WHICH HAVE COMMITTED TO PRODUCE A SET NUMBER OF NEW JOBS. THESE ARE PROGRAMS WHICH, I AM CONVINCED, DO FAR MORE TO REDUCE THE DEFICIT THAN THEY COST.

I LOOK FORWARD TO HEARING WHAT ADMINISTRATOR SANDERS HAS TO SAY THIS MORNING, AND I WANT TO MAKE CLEAR THAT I DO NOT WANT TO PUT HIM IN A MORE DIFFICULT POSITION THAN HE ALREADY IS. HE HAS HIS MARCHING ORDERS FROM THE PRESIDENT TO ABOLISH AN AGENCY WHICH HE CLEARLY BELIEVES IN, AND I RESPECT HIS POSITION. I HAVE ONE QUESTION WHICH, IN MY JUDGMENT, HAS NOT BEEN ADDRESSED AS FULLY THUS FAR AS IT SHOULD BE, AND IT MAY BE THAT MR. SANDERS IS NOT PRECISELY THE PERSON TO ANSWER THIS QUESTION. MY CONCERN IS, WHAT WOULD BE THE COST OF THIS NEW, LOW-PROFILE SMALL BUSINESS ADMINISTRATION, OR WHATEVER THEY WANT TO CALL IT, WHICH THE PRESIDENT PROPOSES TO CREATE IN THE COMMERCE DEPARTMENT? HOW MUCH WOULD IT COST AS COMPARED WITH THE PRESENT COST OF SBA? HOW MUCH WOULD IT COST TO MOVE THE VARIOUS OPERATIONS WHICH THE ADMINISTRATION WOULD KEEP INTO THE COMMERCE DEPARTMENT? I SUSPECT THAT THE REAL SAVINGS WOULD BE VERY MINIMAL, MEASURED PURELY IN TERMS OF MANAGEMENT COSTS, AND THAT ULTIMATELY THE DEFICIT WOULD BE INCREASED BY NOT HAVING AN INDEPENDENT AGENCY IN THE FEDERAL GOVERNMENT TO SERVE THE NEEDS OF THE NATION'S SMALL BUSINESSES. THERE WILL BE MORE BUSINESS FAILURES BECAUSE OF INADEQUATE FINANCING AND THE UNAVAILABILITY OF MANAGEMENT ASSISTANCE FROM SBA, AND THIS WILL MEAN MORE PEOPLE OUT OF WORK AND FEWER NEW JOBS IN THE FUTURE. HAS ANYONE ATTEMPTED TO MEASURE THIS COST?

HIGHLIGHTS OF FISCAL YEAR 1986 PROGRAM

Mr. SANDERS. Thank you, Mr. Chairman. I would like to summarize the statement and take excerpts from it. With your permission, before getting to the specific appropriation request items, I would like to briefly highlight our fiscal year 1986 program.

The budget submission of the Small Business Administration reflects the overall administration's policy of limiting the size and cost of government, reducing Federal credit activity and reducing or eliminating certain functions in an effort to reduce the Federal budget deficit.

This budget plan proposes the elimination of credit activities of the agency, and the transfer of the remaining functions to the Department of the Treasury and the Department of Commerce.

But even with the support of the most well-intentioned of government programs, no business, large or small, can flourish and grow in the absence of a strong, vibrant national economy.

Today, Federal spending so seriously imperils the continued economic health of this country that it must become our primary concern with respect to maintaining the long-term viability of small business.

A capital-oriented small business cannot function when its source of capital is held hostage by a massive deficit caused by a government that spends too much.

The greatest service that the President can render to small business today is to bring the deficit under control by curtailing some of the services that government now performs.

This budget submission reflects a reevaluation of our traditional role and establishes priorities which distinguish between essential services and those which can be foregone. However, no restructuring will alter the administration's recognition of small business as the backbone of the American economy or basic commitment to those goals.

I think that concludes my excerpts.

SALE OF LOAN PORTFOLIO

Senator WEICKER. I have a couple of questions, and the others can be responded to for the record.

Assuming a $12 billion loan portfolio, how much revenue would SBA take in, if the agency is permitted to service these loans?

Mr. SANDERS. We could collect on an historical basis 88 percent of those funds over the life of the portfolio.

Senator WEICKER. Eighty cents on the dollar.

Mr. SANDERS. About $9.6 billion.

Senator BUMPERS. Jim, you are saying $9.6 billion on the portfolio?

Mr. SANDERS. Yes, that is based on performance.

Senator BUMPERS. Mr. Chairman, what was your question on again?

LOAN SERVICING REVENUE

Senator WEICKER. My question was, assuming a $12 billion loan portfolio, how much revenue would SBA take in if the agency is permitted to service these loans.

Senator BUMPERS. And the answer is 80 percent?

Senator WEICKER. Eighty-eight percent, or 88 cents on the dollar, or about $9.6 billion.

The second part of the question, OMB proposes that you sell these loans over the next 4 years for a total return to the Government of $2.3 billion in sales, or 19 cents on the dollar. CBO's estimate of $3.7 billion for the portfolio sale assumes a return of 30 cents on the dollar. Yet, the Economic Development Administration gained only 14 cents on the dollar when it made a loan sale several years ago.

Why are you making this proposal if it will cost the Government billions of dollars? Can you give me the rationale for it?

Mr. SANDERS. Well, Mr. Chairman, I think in any financial transaction, any kind of loan portfolio or any security that has a maturity date on it in the future, has a certain discounted value.

You see certain proposals coming from some of the Members of the Senate to sell off all of the Government securities, and recapture some of the funds at a reasonable discount. I think it is a matter of what is a reasonable discount to be considered? If you are selling a portfolio such as the SBA's, you are going to have to break it into groups based on different types of loans; there are many kinds of loans in the portfolio.

I guess what I am saying, certainly I would think 19 cents on the dollar, 14 cents on the dollar would, in my opinion, be a very poor figure. It wouldn't be in the best interest of the taxpayers or on the reduction of the deficit because, you lose a reduction of the future deficits by selling at that much of a discount.

I am not able to say what the final figure is, but I think the marketplace would give you some pretty good idea of the value of that portfolio, but you have got to always compare that against the historical performance of of the portfolio. We currently have that on record, and of the cost of collection. I think that is the question that is going to be put to every proposal in the Government.

Lastly, there is another consideration that is important in this kind of transaction that is not important in the private sector, and that is the character of the buyer of the portfolio. I think you have to be quite careful that the kind of people who would purchase this portfolio have integrity, do not reflect badly on the Government of the United States, and do not abuse the borrowers of those funds. I think that is an important consideration that the private sector may not always take into account.

503 AND SBIC PROGRAMS

Senator WEICKER. Currently, the debentures guaranteed under the 503 and SBIC programs are issued by the Federal Financing Bank. Proposals have been made most recently to bypass the FFB and finance these debentures directly in the private sector, theoretically saving $700 million.

Are not these really just paper savings and won't the interest rates on these debentures rise by a half to 2 percent through private financing?

Mr. SANDERS. Well, I don't know that the interest rates would rise in the sale of debentures outside the Federal Financing Bank. We still have, I think, the full faith and credit of the United States involved in a sale like that. What it does, of course, is go back to the point that the Government arrived at when it decided to consolidate. Certainly, agencies go back in the other direction and it does accomplish a cash outflow of savings for the Federal Government because the private sector would buy the securities and the Federal Government wouldn't have to put up a dollar until a default on one of the loans occurred, or one of the investments by the SBIC was hit, whereas today, the Federal Government funds it all, puts out the cash and then we have that as an asset to collect back.

The other way it works as a guarantee and it doesn't cost the Government anything until we buy it back and have to liquidate.

Senator WEICKER. Do you think it would have any impact on the operation of these programs if we went that way?

Mr. SANDERS. Well, there would be some different method of administration involved in selling the securities but, no, I think the same qualities would be expected in placing the loans; that the SBIC's use the funds for the same things that apply to the local development companies.

It doesn't affect the standards of loans one bit. It just affects the way that you get the funding.

LOAN DEFAULT RATES

Senator WEICKER. My last question before turning to Senator Bumpers, several years ago, SBA was experiencing relatively high default rates in its guaranteed loan program, approaching 30 percent. However, the historical default rate has been approximately 18 percent. Are we at that level now?

Mr. SANDERS. I think we are a little below that. I think we are between 16 and 18 percent. The highest default rate was precipitated by the recession on loans made in the period before this administration where there was an incentive to get money out through the SBA. This has not been our emphasis.

Our incentive has been to make quality loans that respond to the needs of the private sector.

Senator WEICKER. If the default rate is 16 percent or thereabouts, what is the actual loss rate for the guaranteed loan program?

Mr. SANDERS. Well, the actual existing loss rate today is a little over 5 percent; about 5.4 percent.

Mr. CARVER. 5.7 percent.

Senator WEICKER. Senator Bumpers.

Senator BUMPERS. What does that translate into in 19, say, 85, what does that translate into dollars cost to the Federal Government? Actual cost; don't try to factor in salaries and so on, expenses, trying to collect.

Mr. **Sanders**. On the guaranteed level of $2.7 billion, I think that has come up about $150 million. In other words, this is a premature evaluation. We project that the ultimate losses in those would run about 10 percent, ultimately, when the whole portfolio is worked out.

Senator, I might go further to say our concern in that direction has been then to reduce the level of guarantee below 90.

Senator **Bumpers**. That is my next question. What impact, if any, will that have on default rate and our ultimate loss?

Mr. **Sanders**. I think it will improve the loss rate a great deal. It brings the lending institution in 25 percent. In spite of all our attempts to put high standards on all applications, the mere fact it is in there, it works well.

SALARIES AND EXPENSES

Senator **Bumpers**. I have a statement and a couple of questions for the record, Mr. Chairman. Just one last question, gentlemen, on your testimony. I don't understand the figures in the last page of your statement. It goes to one of the questions that I did want to ask, and that is, what are the expenses going to be to Commerce and Treasury to carry these functions on?

I am concerned about what you call impact of later transmittals, what that means.

Mr. **Sanders**. Well, I will have to go back and read the whole statement on impact of transmittals.

Mr. **Carver**. These revisions will be submitted once the process has taken care——

Senator **Bumpers** [interposing]. Let me ask a question. Up at the top, you have salaries and expenses, $224 million. All right. Now, these three figures down below going across, $97 million, $52 million and $73 million, those three add up to that $224 million; is that the idea?

Mr. **Carver**. Yes, that is right.

Senator **Bumpers**. What you are saying is the salaries and expenses for $224 million for 1986 would be distributed in accordance with that ratio of those three departments?

Mr. **Carver**. Yes, sir.

Mr. **Sanders**. That is right, and you have to see the SBA contemplates the agency would be shut down in 3 months and the functions that continue; MSB and those residual functions go to Commerce and Treasury, and the salaries are transferred from SBA to Commerce en masse, and the collection portfolio management functions are transferred from SBA to Treasury and then they are reduced over the next 3 or 4 years as they sell off the portfolio.

BUSINESS LOAN PORTFOLIO

Senator **Bumpers**. The $2.5 billion business loan portfolio is not the total portfolio. Does that assume that the rest of it has been sold?

Mr. SANDERS. Where are you?

Senator BUMPERS. Business loan fund, transferred to the Treasury, $2.596 billion.

Mr. SANDERS. Yes; that is the portion that comes out of the Federal Financing Bank. Maybe Mr. Carver would like to expand a little bit on that, Senator. The next question is, Where is the rest of the portfolio?

Mr. CARVER. This provides for Treasury reimbursing the Federal Financing Bank for that piece of our 503 and SBIC debenture portfolio.

It is an internal transaction within Treasury.

Mr. SANDERS. And then the balance of the funds that we hold in there to repurchase the disaster loans, as such, would be transferred and serviced by Treasury.

Senator BUMPERS. And presumably sold off if OMB had their way.

Mr. SANDERS. That is right.

DISASTER LOANS

Senator BUMPERS. Thank you, Mr. Chairman.

Jim, I want to thank you for looking into the threshold for agricultural disaster assistance. I appreciate your prompt response on that.

Mr. SANDERS. We are going to have some results quickly.

Senator BUMPERS. Good.

Senator WEICKER. That leads into one question, the last question I have here, in markup of S. 408, questions were raised concerning the effect of an amendment I offered, then withdrew, repealed provisions enacted last year, Public Law 98-270, which lowered disaster loan rates for SBA.

As you know, the effect of this law was to permit farmers once again to come to SBA first before going to Farmers Home. If my amendment is again offered and adopted, interest rates—SBA and FmHA—stay substantially similar, would businesses and farmers receive equal treatment in all regards, both with law and regulation and both agencies?

Mr. SANDERS. I brought Mr. Kulik with me.

Senator WEICKER. In other words, I was asked the question, if you go back to the situation that we had in the law before it was repealed—that is all I did.

Mr. SANDERS. Substantially similar; yes.

Senator WEICKER. Then would it receive equal treatment in all regards?

Mr. KULIK. Yes. Farmers would but business people would not. In fact, farmers would have the ability of going to Farmers Home and if, for example, they were ineligible at Farmers Home they could come to SBA.

The other way, businessmen who were ineligible with SBA couldn't go to Farmers Home. Farmers who did not suffer the minimum threshold loss required at Farmers Home would be eligible to come to SBA for loans.

In fact, farmers would probably have more benefits than businessmen would under the same circumstances.

Senator WEICKER. Does counsel have some additional questions you want to add? Here is your chance. I don't want to look like an idiot again on this question. If you have a question, let's ask it and get it answered.

Mr. HAYNES. Mr. Kulik, would you describe if the amendment offered by Senator Weicker were adopted which would make those rates substantially similar, would you describe, in other words, the interest rates that would be in effect at FMA and FMHA but also the effect of the adoption of those interest rates that is to say, between SBA and FMHA as you described to the staff two days ago?

Mr. KULIK. The interest rates for businesses would revert to the interest rate based on the same formula that has been in effect prior to Public Law 98–270.

It is roughly equivalent to the private market rate for businesses with credit elsewhere available and not to exceed 8 percent for businesses with no credit elsewhere. Other provisions of the law would require farmers to go to Farmers Home first because the interest rates would be substantially similar for their disaster assistance.

If for some reason of eligibility, a farmer was not eligible at Farmers Home, they could then come to SBA for disaster assistance. If, on the other hand, the reason for decline by Farmers Home was a credit matter, then they would not be referred to SBA.

Mr. DOTCHIN. If a farmer had suffered only 25 percent loss in their enterprise, thus did not meet a 30-percent loss threshold test at Farmers Home, could they go to SBA for assistance?

Mr. KULIK. They could go to SBA just as any small business could come to SBA for disaster assistance. There is not an individual threshold loss requirement in the SBA disaster program by law.

Mr. DOTCHIN. So Farmers Home is tougher in that regard?

Mr. KULIK. Yes.

SUBMITTED QUESTIONS

Senator WEICKER. All right, I have further questions for response to the record.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR LAXALT

SBDC PROGRAM LEVEL

QUESTION: In FY 1985, the Congress provided $28.5 million for the Small Business Development Center (SBDC) program. How many SBDCs do you expect to fund this year? How many new applicants do you expect in 1986? What appropriation would be necessary to fund the current and new participants in the program in 1986 assuming no increase in individual grant levels for existing centers?

ANSWER: The FY 1985 appropriated level contains $28.5 million for the SBDC program. Currently there are 40 approved SBDC's in 38 states and the District of Columbia. Additionally, it is anticipated that at least six or seven more schools will be accepted into the program before the end of the fiscal year.

Given there are no restraints on the program, with the exception of the statutory ceilings, we anticipate that $32.8 million would be required for FY 1986. However, if we were to freeze the expenditures of those schools that entered the program prior to FY 1985 at the FY 1985 funding level and provide a modest increase for those schools brought aboard during 1985, the cost would be approximately $29.8 million. These cost assumptions allow for four new schools during FY 1986. These estimates reflect only the value of the grants to the schools. Additionally, approximately $900,000 is required for the Advisory Council travel, the clearinghouse function and the Management Assistance/Management Information System and evaluation system. Funds could be made available from the grant funds if the appropriation language was less restrictive.

QUESTION: Both SBA and the Senate Budget Committee propose the elimination of the physical disaster loan program. Without this program, is it realistic to assume the private sector will insure small businesses against physical disasters?

ANSWER: Until the action actually occurs, we don't really know how the private sector will react. However, it is anticipated that both the banking and insurance communities would provide the assistance that is currently being made available by this Agency.

QUESTION: As you know, P.L. 98-270 placed a statutory cap of $500 million per year on SBA's physical disaster loan program. What's your estimate of the total demand on this program in FY 1986 if we continue to allow farmers to be eligible?

ANSWER: As long as the interest rates between FmHA and SBA remain relatively similar, there is no reason to expect a drastic increase in assistance for farmers above current levels. However, if these rates become dissimilar, we could see loan levels as high as were experienced by the SBA in the late 1970's, or in excess of $1 billion per year.

QUESTIONS SUBMITTED BY SENATOR HOLLINGS

SBA COLUMBIA, SOUTH CAROLINA, OFFICE

Since I don't believe that Congress is going to eliminate the SBA, let me ask you about how we might improve the Columbia Office.

Mr. Patrick has sent me his annual report for 1984. He reported that government procurement in South Carolina in fiscal year 1983 amounted to $1,286,500,000, and that $19,020,000 was awarded to minority businesses. That's only 3.9%.

Currently we have a Procurement Center Representative (PCR) at Charleston Air Force Base who serves both North and South Carolina. We need 2 full-time PCRs in South Carolina alone!

QUESTION: What would be the cost of having 2 PCRs in South Carolina?

ANSWER: The cost of 2 PCR's is approximately $90,000 for salary and related benefits.

QUESTION: Do you have the ability within current resources to assign 2 PCRs to South Carolina?

ANSWER: Currently, SBA has a PCR assigned to Charleston AFB, South Carolina. He is responsible for:

EPA, Raleigh, NC
Charleston AFB, SC
Ft. Bragg, Fayetteville, NC
Corps of Engineers, Charleston, SC
Corps of Engineers, Wilmington, NC
Naval Supply Center, Charleston, SC
Naval Facilities Engineering Command, Charleston, SC
Supervisor of Shipbuilding, Conversion and Repair, Charleston, SC

We are currently investigating the possibility of locating a Breakout PCR at the Charleston Naval Supply Center. If there is sufficient procurement volume and breakout opportunity, SBA will place a Breakout PCR and two technical advisors in South Carolina.

LOAN SALES TO THE PUBLIC

QUESTION: In 1986, it is proposed to sell the loan portfolio of the Business Loan and Investment Fund and Disaster Loan Fund by selling the loans to the public. Mr. Sanders, I understand that OMB is responsible for those estimates, but we must prevail on SBA to explain this extraordinary proposal. What is the present value of the portfolio to be sold?

ANSWER: The value of SBA's portfolio as of February, 1985, is summarized as follows:

	Number	Amount (in millions)
Direct Business Loans	33,931	$1,924.9
Repurchased Guaranty Loans	17,676	1,753.6
Guaranty Loans	80,471	7,434.9
Loans with the FFB	3,955	1,350.9
Disaster Loans	252,656	4,820.1
Total Portfolio	388,689	$17,284.4

Of the above amount, $9.9 million is presently available for sale assuming that the FFB portfolio is converted to on-budget. Additionally, any resulting purchases from the $7.4 billion in guaranty loans could be made available for sale.

QUESTION: How much does OMB expect to realize by selling the loans?

ANSWER: OMB projected a saleable portfolio of the SBA of $12.1 billion on 9/30/85. Of this amount, they estimated receipts from sales of $2.3 billion. In addition, another $2.3 billion is estimated to be amortized over a four-year period.

QUESTION: How much then is the Treasury getting back on our investments?

ANSWER: It is difficult to determine an exact return on the portfolio, due to the extension of the sale over four years, during which time loans will mature or be written off. However, using the absolute numbers mentioned above translates to a .19 return, or 19¢ on the dollar.

QUESTION: If these loans were not sold, but kept to maturity, pursuant to SBA's historical default rate, what would the net return to Treasury after subtracting SBA's servicing cost?

ANSWER: Assuming that the FFB portfolio is converted to on-budget, and that there is no more new credit after FY 1985, it is estimated that the SBA could collect approximately $9.6 billion over the 15 year amortization life of the portfolio. The servicing costs associated with this time frame are estimated at $612 million. This would give a net return to the Treasury of about $9 billion.

QUESTION: SBA makes business loans to help struggling businesses. Many of these businesses have prospered but, undoubtedly, many are still struggling. How many of these loans would you estimate are to businesses that are viable, but are behind in their payments?

ANSWER: Within the detail of the portfolio provided you in the response to question #1, the following is estimated to be those loans in a "non-current" status.

	Number	Amount (in millions)
Direct Business Loans	12,600	$ 750.0
Repurchased Guaranty Loans	14,800	1,530.0
Guaranty Loans	8,700	800.0
Loans with the FFB	450	150.0
Disaster Loans	58,000	1,420.0
Total "Non-Current" Portfolio	94,550	$4,650.0

QUESTION: When Commerce made a similar proposal to sell EDA's loans, we heard of predators that wanted to buy the loans, foreclose the business to either eliminate a competitor or get his assets for next to nothing. Congress responded by stipulating that the loans could only be sold with the consent of the borrower. How would such a stipulation affect the sale of SBA's loans?

ANSWER: Specific details regarding a sale of assets have not yet been defined. However, a proposal such as the one mentioned would greatly prolong the sale process, and probably result in much confusion, opposition and feedback from the borrowers. One alternative that has been discussed would be to offer the loans for sale to the actual borrowers at "present value" rates. Although it is not clear what type of response we could expect, it seems to be an equitable approach considering the magnitude of the impact of the sale on the borrowers and on the financial community.

GUARANTEED BUSINESS LOANS

Apparently David Stockman believes that government-backed financial assistance to small business is wrong, because in his view, such backing constitutes unfair competition with other firms not receiving such help. However, I have met with many concerned lenders to small businesses who say there is a void in the financial marketplace. They have told me that without the loan guarantees of the SBA, term capital is simply not available, to many good quality, creditworthy small businesses.

QUESTION: Mr. Sanders, what percentage of the guaranteed loans the SBA has approved since you became Administrator went to good quality, creditworthy small businesses that would not have found the capital elsewhere?

ANSWER: During my tenure at SBA, the Agency has implemented the "Quality Loan Concept". When this initiative was implemented, field offices were given instructions on the types of credit that should receive an SBA guarantee. These are all loans to creditworthy businesses that need credit for terms longer than lenders are generally willing to accept. Every effort is made by SBA loan officers and the participating lenders to eliminate from consideration those applicants that are not good quality prospects for SBA assistance.

QUESTION: Those same lenders have stated that the 7(a) program has little or no effect on credit extension to other small business borrowers. Do you agree?

ANSWER: I do not feel that lenders participating in the SBA 7(a) program are making loans to SBA clients in lieu of making loans to other small businesses located in the lender's market area. In fact, testimony has been given that lenders are making SBA loans, selling the loans in the secondary market, and using the sale proceeds to make conventional loans to other small businesses.

QUESTIONS SUBMITTED BY SENATOR BUMPERS

PROJECTED SAVINGS

QUESTION: Please estimate the projected costs of salaries and expenses for the SBA programs which would be transferred to the Commerce and Treasury Departments. Then estimate the savings, in salaries and expenses, which would accrue under S. 408 from the elimination of the bulk of the direct lending program and the nonphysical disaster program, and compare the relative savings from S. 408 versus the proposed transfers.

ANSWER: Under the Administration's current proposal, for FY 1986, to eliminate the Small Business Administration and transfer many of its programs and activities to the Departments of Commerce and Treasury, projected costs are as follows: Functions transferred to the Department of Commerce will cost approximately $52,914,000; Functions transferred to the Department of Treasury will cost approximately $73,961,000; An additional cost of $97,125,000 will be for closing down the remainder of the Agency, which is expected to take through December 31, 1985.

S. 408 provides Budget Authority of $210,000,000 which compares with $233,840,000 provided for 1985. In addition, 1985 provided transfer authority of $70,000,000 from the Disaster Loan Fund. It is currently felt that any S&E savings resulting from reducing any or all of the direct lending program would be redirected towards increasing the Agency's efforts to collect and service the portfolio.

SURETY BOND PROGRAM

QUESTION: Please review the costs and benefits of the Surety Bond Guarantee program since its inception, including the amounts of appropriations, the amounts of contracts guaranteed and the number of contracts which were awarded to small businesses which would not have been but for the surety bond program. Include in your analysis the losses sustained in the program and compare SBA's loss experience under this program with that of private insurers. If possible, give an estimate of the savings to the governments which have enured as a result of having these small businesses included in the bidding process, and then please explain what rational public policy could possibly justify eliminating the Surety Bond Guarantee program.

ANSWER: Cost and Benefits of SBG Program Since Inception
From January 1971 to November 30, 1984, the Surety Bond Guarantee Program received $222,320,000 in appropriations which enabled SBA to issue its guarantee on 165,462 awarded contracts valued at $12,835,516,089; 26,446 of which were awarded to minorities. The SBG Program also generated income of $56,306,993 before losses by charging contractor and *application fees as well as Surety Premiums.

As of November 30, 1984, SBG incurred claim losses totaling $292,666,670, recovered $37,122,071 from indemnity, contract funds and refunds for a net claims incurred total of $255,544,599. This gives us a net loss (paid claims and expenses to date less income) of $199,237,606 for a net loss rate of 1.55%.

Analysis of Public Sector Savings Due to SBG Contracts

The estimate of public sector savings from program inception in 1971 through November 30, 1984 was calculated as follows:

Total Awards through the SBG Program	$12,835,516,089
Awards from Public Sector through SBA Program**	6,171,296,062
Projected Public Sector Awards-if no SBG Program**	6,873,886,474
Less Awards through SBG Program	[6,171,296,062]
Savings to the Public Sector	$ 702,590,412

Net Profit/Savings to Government (Federal, State, Local)	1/71 thru 11/30/84
Public Sector Savings Due to SBG Contracts (See attached Analysis*)	$702,590,412
Net SBG Program Loss to Date	[199,237,606]
Net Profit/Savings to Government to Date	$503,352,806

* No longer charge an application fee

** These factors were developed from the November 1977 internal study of the SBG Program and a January 1985 study by Surety Bond Guarantee Program (Attachment I). A weighted average of the results of the two studies was used to determine the figures above.

Calculation of Loss Rate - Government vs. Public Sector

In the Surety/Insurance industry, losses are weighed against premiums. The reason for this is obvious. A line of insurance surety business is regarded as a profit center. This gives the surety company a different motivation for its comparison of loss ratios than SBA. The industry calculates loss ratios to determine its profit or loss.

Since the SBA program was never conceived as a profit center, the relationship between its proportion of loss and its proportion of premium makes it obvious that there is no profit possibility for SBA. Nevertheless, SBA has proposed regulations in clearance that would permit us to vary premium and loss sharing with participating sureties based on their capabilities and our loss experience with each.

The attached question and answer series will serve to highlight salient facts and figures about the program (Attachment II).

ATTACHMENT I

PUBLIC SECTOR BENEFITS (ALL LEVELS OF GOVERNMENT)

A special analysis was made in 1977 of all bonded non-negotiated contracts guaranteed by SBA to ascertain and project the difference between the contract award prices and the bids of the second lowest bidders on public-financed contracts. The bid differential, called the "bid spread" would represent cost savings to the governmental units (contracting parties) generated directly by the operation of the SBG Program.

Another study of 1,000 contracts was completed in January 1985.

This special 1977 study showed that 38.7 % (72% in 1985 study) of all SBG contracts were publicly financed contracts awarded through the bid process. For these, the average bid spread was 9.25% (meaning that the second lowest bidder's price averaged 9.25% higher than the winning low bid). In the 1985 study, the bid spread had risen to 11.7% in the 8 years intervening.

This differential represents the minimum amount of additional expenditures that the various governments would have incurred had the SBG Program not been in operation. (Without the surety bond guarantees, the small business contractors could not have complied with government bonding requirements, and these public contracts would have been awarded at a higher cost to the lowest non-SBG bidder who could have obtained the required bonding.)

Since program volume after 1977 was on a constant increase, extimates of 65% for the public contract percentage, and 11% for the bid spread, are conservative averages.

The bulk of contracts awarded are publicly financed. Bid spreads can only be computed on non-negotiated (open bid) public contracts. Obviously there were additional savings (cost-avoidance) among negotiated contracts, but we would have no way of estimating the amount of such savings, or cost avoidance.

With application of the above percentages and rationale to SBG statistics, it becomes clear that a net overall financial benefit to the public sector has been realized. Accordingly, when the financial operations of the SBG Program are viewed as part of the larger picture of total government financial operations, it can be concluded that the program has been economically self-sustaining.

The above does not include any benefits arising from the extra employment generated by contracts under the SBG program, nor the taxes paid by such contractors and their employees--most of which taxes would not have existed, except for the availability of the work made possible by the SBG program.

ATTACHMENT II

QUESTION: How many contractors has SBG helped?

ANSWER: Since 1976, over 30,000 contractors have been awarded jobs they would not otherwise have gotten. Since program inception over 166,000 otherwise unobtainable contracts to small business have been the result of the program.

QUESTION: The SBG program seems to be misunderstood and perceived as a loan program by many. Is it a loan program?

ANSWER: No. It is a guarantee program sharing risk with private insurance and surety companies. It operates much like a reinsurer. The concept of surety is significantly different from that of lending. It is somewhat similar to insurance--but is not base upon insurance principles or statistics.

QUESTION: Does SBA write bonds directly?

ANSWER: No. All of the bonds under the program are underwritten and serviced by the private sector. All claims are handled by the private sector. SBA's role is that of a guarantor. Less than 50 SBG employees nationwide handle SBA's share of the risk, both underwriting and claims.

QUESTION: Is the SBGP needed?

ANSWER: Yes. Without it small and emerging contractors would be unable to secure bonding. This class of contractors is too small and present a greater risk in its start-up mode for the private surety and reinsurance industry to accept. Typically a track record is required to convince sureties to write bonds for a contractor. Also the contractor must be of a size to make the surety's handling expense practical. In addition, a capacity problem for all insurers has developed over the past few years--making it virtually impossible for any but "blue chip" cases to secure bonding.

QUESTION: Is the SBGP a "giveaway"?

ANSWER: No. A surety pays SBA 20 percent of the premium collected and the contractor pays a fee to SBA of $5 per each $1,000 of the contract fare value. Once a contractor proves his "bondability" it is to his advantage to leave the program.

QUESTION: In 1980 and 1982 Senate hearings focused on SBG problems. What has been done to address those problems?

ANSWER: Since those hearings, a new Standard Operating Procedure, as well as underwriting and claims handbooks have been written for use by SBG personnel. In addition, individual training programs for key field and Central Office staff, and five field training seminars have been held. More than 30 on-site claim

reviews of surety company operations have been conducted by SBG claims staff. A new "treaty concept"--guarantee agreement (Plan A) has been designed and is now in the regulatory clearance phase. The large standard sureties are now evincing significant interest in the program and have assisted in the development of a "second stage" (Plan B) treaty for later use--after appropriate legislation is introduced for its implementation.

QUESTION: How many minorities have been helped by the SBGP?

ANSWER: Since 1976 (the earliest date for our computer figures) over 30,000 contractors have been assisted. Of these, 15.3% have been minorities with contract value of approximately $2 billion dollars (about 18% of the contract values awarded).

QUESTION: Has government spent too much on the SBGP program?

ANSWER: Absolutely not! In fact, the public sector has, since program inception, experienced net savings, after all program losses and expenses, of over $500 million dollars.

QUESTION: Why did the SBGP volume decline during the years 1981 through 1983?

ANSWER: Early in 1981 authorization restrictions imposed by OMB required a sudden contraction of program initiatives. At the same time, underwriting criteria were redesigned to improve the portfolio quality. On the heels of these actions, a business recession occurred, further shrinking program demand. This tri-pronged impact had the expected result and volume dropped. A gradual recovery is underway on a planned and improved quality basis. Recent statistics disclose a rising demand trend that should absorb budget authorizations. It is believed that a 10-15% increase in each succeeding year's authorizations will enable SBA to keep pace with expected small business contractor demand.

QUESTION: Why does SBG Program managers forecast a heavy demand for SBA surety bond Guarantees in 1985 and succeeding years?

ANSWER: Three reasons: 1) economic recovery will increase small business demand for bond guarantees; 2) D.O.T. activities will add to that demand for bond guarantees; 3) poor underwriting results over the last few years in the insurance industry will shrink its capacity and desire to write bonds, without guarantees, for small and marginal contractors.

SUBCOMMITTEE RECESS

The subcommittee will stand in recess until April 17 in order to hear testimony from the Attorney General and the Chairman of the Equal Employment Opportunity Commission.

[Whereupon, at 11:05 a.m., Thursday, April 4, the subcommittee was recessed to reconvene Wednesday, April 17, 1985.]

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